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BUSINESS, POLITICS  
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# Fletcher Challenge: whatever measure you use, it's huge

by Peter V O'Brien

THE NEW Fletcher Challenge Corporation starts life with \$1820 million in sales, shareholders funds of \$482.5 million, and total assets worth \$1357 million.

These figures remove the "double-counting" of Tasman in the books of Fletcher and Challenge, and are calculated on the basis of the new share capital. They were obtained from Challenge last week as the official structure of the new organisation.

A table of each participating company's contribution is unable to be presented, due to the various adjustments, which would need a list of qualifying notes.

Press statements issued last week concentrated on market capitalisation (the number of shares on issue multiplied by the market price).

On that basis, Challenge's Ron Trotter and Fletcher's Hugh Fletcher said Fletcher Challenge would be only slightly larger than NZ Forest Products, and 6.4 per cent the size of Australia's largest company, BHP.

The market capitalisation argument is invalid when looking at the effective size of the company in relation to the New Zealand economy. If it were valid, then Trotter and Fletcher have to recalculate their figures, following the market rise.

The market capitalisation of \$346 million quoted in the press statement is based on the relative value of new shares after the merger, and taken at close of business on Friday, October 17.

Fletcher shareholders would receive shares "worth" \$1.58 (rounded from \$1.57 and a fraction), while the Tasman and Challenge shares would transfer at \$1.57.

If the calculation is done on the basis of share prices at the close of business on Wednesday October 22, the switch values are \$1.77 for Challenge, \$1.82 for Tasman, and \$1.76 for Fletcher. That takes market capitalisation up to the \$390 million level on the basis of the new shareholdings. It is probably different today.

Market capitalisation is a valid indication of size. In relation to the gearing of a company, its ability to raise new equity capital on favourable terms to offset increased borrowings, and similar matters.

This will be important, because one of the company's goals is greater borrowing muscle on overseas capital markets. Its market capitalisation can be shown to international bankers as a solid base to lift equity if necessary. Market capitalisation is also



Ron Trotter... poses the alternatives.



Hugh Fletcher... Government has "control".



Sir James Fletcher... one of the three strong men.

the market's indication of future prospects, returns to shareholders, yields and so on.

If the sales and shareholder funds are compared, the new company will be about three times the size of Forest Products in terms of sales, (adjusted for last year's strike loss) and 1.67 times on the basis of shareholders funds.

In comparison with BHP it will be approximately one-fifth to one-sixth the size in both categories, rather than the 6.4 per cent when market capitalisation is used as the criterion.

The proponents of the market capitalisation argument got the message across in various places, including the prime ministerial suite, because Rob Muldoon, speaking on Thursday morning's *Midnight Report* quoted those figures of comparative size.

Fletcher Challenge is an extremely large organisation in the context of the New Zealand economy. It could be argued that a company one-fifth the size of BHP in an economy one-fifth the size of Australia (both figures approximate) has a greater influence on economic activity, because there are fewer sizeable groups to offset its impact.

Size by itself does not rule out such a merger. Trotter and Fletcher are correct when they say a large company can make a greater impact on the international scene in terms of financing New Zealand's development projects.

Trotter put this in context at Wednesday's press conference when he posed the alternatives: multi-national companies, State investment, or a New Zealand-owned group.

But size is relevant to economic power, and to who wields that power. Conventional wisdom says the shareholders ("thousands of small New Zealand investors") will have the power.

An interesting theory, but it has no practical application. The financial institutions will

Hugh Fletcher said the Government and the public servants decide any major investment in New Zealand, and therefore they have "control".

True, as seen in the argument on the methanol plant (which finally went to a joint venture, including a New Zealand State corporation), if we are talking about "big" as opposed to "small".

Hugh Fletcher knows as well as anyone else that political power grows out of economic power, to quote one of his erstwhile colleagues.

These organisations already have considerable access to the political and administrative system. When they put Fletcher Challenge together they can claim to be a major New Zealand group, capable of doing various things, against overseas companies. By definition, that means they have a high level of political power.

Continued on Page 12.

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money can buy



Government warning:  
Smoking can cause health  
problems. Quitting now  
greatly reduces serious  
risks to health.



## Skybus probe

THE Securities Commission will investigate doubts that the Skybus venture is being properly explained to the public.

**GOVERNMENT** Junior Whip Dail Jones resigned at last week's Caucus meeting.

THE FOL is optimistic that work will soon be resumed on Auckland's Mangere Bridge and the BNZ headquarters' site in Wellington.

TELEVISION New Zealand will have a single director-general. Alan Martin, presently director-general of the production division, will fill the post and the present director general of the Network division, Alan Morris will become

deputy director-general.

A TOBACCO Growing Industry Amendment Bill was introduced by Trade and Industry Minister Lance Adams-Schneider to put the responsibility of disposing above-quota harvests solely on the producer.

**CONCERN** was expressed at the declining trade with Japan at the New Zealand-Japan Businessmen's Conference in Tokyo.

PAPUA-NEW Guinea proposed to delegates at the 20th South Pacific Conference that a new regional political alliance be set up to look after the interests of South Pacific countries.

POLICE Minister Ben Couch ruled out the possibility of police officers refusing guard duty at next year's Springbok games for moral reasons.

RANDOM checks will be made on social welfare beneficiaries from March 1.

DEPUTY Prime Minister Brian Talboys returned from his European tour expressing confidence in New Zealand's future butter access to the EEC.

**GOVERNOR-General** Sir Keith Holyoake was farewelled at Parliament and the Wellington Town Hall in his last public appearance as a Governor-General.

## The business week

Ampol Exploration Ltd reported an unaudited tax-paid profit of \$11,769,000 for the year to September 30 (A\$730 last year). A final dividend of 5c is payable on December 1.

Auckland Gas Company Ltd will pay an interim dividend of 6c on November 11 for the year to March 31.

Brierley Investments Ltd reported an unaudited tax-paid profit of \$6,821,000 for the year to June 30 (\$4,357,000 last year). A final dividend of 11 per cent is payable on November 27.

Canterbury Roller Flour Mills Company Ltd reported an unaudited tax-paid profit of \$31,358 for the six months to June 30 (\$30,919 same period last year).

Christchurch Press Company Ltd reported an unaudited tax-paid profit of \$358,009 for the six months to September 30 (\$263,171 same period last year). An interim dividend of 5 per cent is payable on November 11.

Credit and Investments Ltd (an L D Nathan & Co Ltd subsidiary) reported an audited

pre-tax profit of \$305,342 for the year to July (\$291,351 last year).

Feltex NZ Ltd will be offering owner-operated franchising for its Personality Furniture subsidiary.

Fletcher Holdings Ltd is to take New Zealand's first trade delegation to Japan in the next few months. The 14-man mission will be led by Fletcher chairman, Sir James Fletcher.

Goodman Group Ltd will invest about \$2 million in the Saudi New Zealand Capital Corporation Ltd. Prince Nawaf of Saudi Arabia has a 50 per cent interest in this \$20 million company and the Development Finance Corporation 25 per cent.

Marac Holdings Ltd bought a 50 per cent holding in Midland Coachlines Ltd-Tasman Rental Cars Ltd - a wholly owned subsidiary of Midland Coachlines Ltd, subject to Commerce Commission and Overseas Investment Commission approval.

Motor Traders NZ Ltd reported an audited tax-paid profit of \$290,678 for the year to July 31 (\$244,689 last year). Final dividend of 3c on ordinary shares and 12c on preference shares is payable on December 16.

New Zealand Light Leathers Ltd reported an unaudited pre-tax loss of \$1.2 million for the six months to June 30 (Loss of \$52,578 same period last year).

New Zealand Railways will be supplied with 200 containers by Doewoo Industrial Company Ltd of South Korea. The order is worth \$2 million.

New Zealand United Corporation Ltd reported an unaudited tax-paid profit of \$790,000 for the six months to September 30 (\$400,800 last year). An interim dividend of 12c is payable on December 19.

URB Industries Ltd appointed Philip S Yates as deputy chairman.

## The week ahead

TUESDAY: Grassland Association conference in Greymouth.

Lands and Agriculture select committee looks at the Primary Produce Marketing Regulations Bill.

Statutes Revision select committee looks at the Sale of Liquor Amendment Bill and the Credit Contracts Bill.

Reid Farmers' annual general meeting in Dunedin.

Crown Consolidated annual general meeting in Wellington.

WEDNESDAY: Commerce and Energy select committee looks at the Petroleum Amendment No 2 Bill. Labour and Education select committee looks at the Education Amendment No 2 Bill. Lands and Agriculture select committee looks at the Primary Board Bill.

Local Bills select committee looks at the Chatham Island County Council Emergency Bill and the Racing Amendment Bill.

Petitions Revision committee looks at the Sale of Liquor Amendment Bill and the Contractors Amendment Bill.

THURSDAY: James Smith's annual general meeting in Wellington.

FRIDAY: Dalgely NZ Ltd annual general meeting in Wellington.

Farrier Waimak's annual general meeting in Christchurch.

Montana Wines' annual general meeting in Auckland.

## Economic indicators

IMPORTS exceeded expectations by \$87 million in September according to preliminary trade figures.

RIT/AIL sales for August were worth \$638.4 million, a 12 per cent increase on August 1979.

## Exchange rates

AS at October 23 NZ\$1 to:	
Britain	401
United States	375
Canada	1425
Australia	530
Fiji	509
Austria	425
Belgium	23.6
China	1.432
Denmark	5.809
France	4.179
Greece	42.2
Hong Kong	4.897
India	2.153
Ireland	40.2
Italy	654.3
Japan	201.3
Malaysia	2.067
Netherlands	1.957
New Caledonia and Tahiti	25.73
Norway	4.235
Pakistan	631.2
Portugal	43.2
Singapore	2.014
South Africa	22.6
Spain	72.67
Sweden	4.094
Switzerland	1.610
West Germany	1.892
Western Samoa	88.3

# Aussie firms applying to prospect southern shale

by Rae Mazengarb

AUSTRALIAN interests have applied for prospecting licences in South Island areas for oil shales and lignites suitable for the production of crude oil and gas recovery. Cue Minerals N L and Cue Minerals (NZ) Ltd have applied for coal prospecting licences to develop oil shales in the Nevis Valley in Otago, and lignite deposits in the West-Dunbarton vicinity, Central Otago.

A former associate company, Petro Quest Pty Ltd (now Australian Shale and Coal NL) has also applied for licences to develop oil shales in four prospective areas in Southland and Central Otago.

Co-ordinator of the projects on behalf of the companies, geologist Colin Glazebrook, was in the country last week to discuss the mining prospects with Energy Minister Bill Birch.

According to Glazebrook, the Minister was optimistic about the potential for the discovery of large deposits of oil shales and lignites.

If Cue Minerals is successful with its applications, it will begin the long process of evaluating the deposits for:

- Release of oil and gas from oil shales and lignites;
- Coal-to-coal conversion.

In a lengthy document detailing the prospect areas, the exploration programme and the technologies appropriate to both oil shale development and coal-to-oil and coal degasification, the company argues its

case for a slice of the action on the New Zealand energy front.

The report says Cue Minerals "is well aware of the problems both in technology and environmental factors as well as the cost of developing these types of deposits."

"With the increasing costs of normal crude oil and its problems of reliable supply for New Zealand in particular, it must be stressed that an indigenous synfuel industry is a very attractive commercial proposition once the initial problems have been overcome.

"Cue believes it has the enthusiasm and ability to organise and bring this about in the areas it is applying for, and looks forward to the challenge."

Cue has applied for a coal prospecting licence covering 25 square kilometres in the Lower Levis Valley. Oil shales were discovered there in 1920, but have been the subject of only minor investigation.

The company says the Nevis oil shales have the advantage of being enormous in size and lacking in overburden which permit open cast mining methods.

The disadvantage of the shale is its low oil yield. But a DSIR report, dated 1974, suggests reserves in the area could amount to 280,000,000 tonnes.

That report pointed out that the economics of mining the area appeared submarginal in the 1960s when oil prices were low, but suggested the deposits "will become much more interesting if American work on underground, in situ extraction is successful."

The DSIR report said: "The Nevis Valley oil shale and coal deposits could be of considerable long-term interest in relation to New Zealand's future supplies of oil."

Other reports (published and unpublished) cited in Cue Minerals' paper similarly point out that, although low in grade, the oil shales are extensive.

Cue is also optimistic about

potential large lignite deposits in Wedderburn, Central Otago.

The company says these lignite deposits could be suited to degasification in situ techniques as well as conventional mining.

Studies would be undertaken on the possible use of the lignites in coal-oil liquification, it said.

The Australian company outlines a two-year programme designed to evaluate coal basin prospects within New Zealand from the geological appraisal to the final decision at the end of the period.

The paper's conclusion notes New Zealand's potential for synfuel development, and points out that Cue has selected two exploration areas for the development of two alternative energy projects, to produce much-needed energy required for the country's future.

Similarly, Petro Quest details the exploration profile and the potential of its four areas for oil shales suitable for the production of crude oil.

It concludes: "The company considers the challenge worthwhile and potentially rewarding."

Some sources suggest that, even if the licences are granted, it will be some time before the companies will be in the position to even contemplate applying the mining licences.

But Glazebrook appeared enthusiastic about the prospects last week before he returned to Melbourne.

## Merger coincides with major reconstruction

by Rae Mazengarb

WASHDYKE tanner New Zealand Light Leathers - whose accumulated losses now stand at over \$2 million - last week announced a major capital reconstruction and a merger with British Vesey interests.

The company will merge with Hastings-based tannery business Amalgamated Products Ltd, an associate of W and R Fletcher (NZ) Ltd, and a subsidiary of the Union International Company.

Shareholders will be asked to consider a resolution to reduce the capital of the company to more closely reflect existing shareholders' funds. It will involve reducing the nominal value of the shares - fully paid to \$1 to 50 cents.

The announcement came as no surprise.

Rumours had been circulating three weeks ago about a

prospective buyer for the company, and further restructuring was discussed by a recent special board meeting (NBR October 6). The meeting coincided with the New Zealand visit of an executive from W and R Fletcher, whom sources had suggested was interested in talking to NZLL.

NZLL chairman Jack Hazlett - previously unavailable for comment - later expressed interest in learning our sources, but refused to comment on the report.

"We want the right announcement to come out," he said, referring to a company statement which would be forthcoming.

The statement - released last week - reported an audited loss for the company last year of \$1,200,000, a loss which the directors said reflected the difficult trading conditions worldwide.

It had proved impossible to recover costs such as raw material costs in a declining leather market, the statement said.

The formation of an association with an international group would allow the company to benefit from the world-wide marketing organisation of the Goshall tannery, subsidiary of the Union International Company - a major purchaser of New Zealand pelts.

According to the statement from the directors, the board proposes to issue 3 million shares to Amalgamated Products Limited and to pay them \$500,000 over a five-year period in exchange for the Hastings Tannery assets.

The merger is subject to various consents, including the Commerce Commission, Reserve Bank of New Zealand, British Treasury, and the shareholders.

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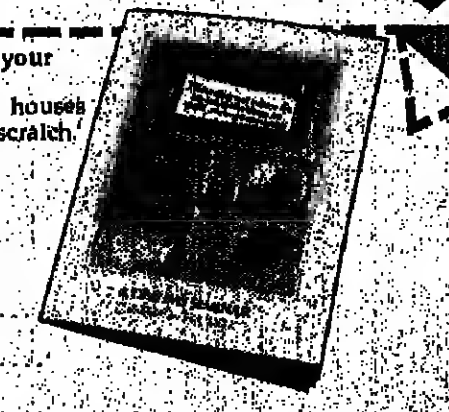
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# Engineering Employers!

## BY 1983 NEW ZEALAND COULD BE SHORT OF AT LEAST 600 FITTERS

# What are you doing about it?



New Zealand is now embarking on a series of major development projects, stretching right through into the 1990s. Will we have the skilled labour to cope? Yes, but only by acting now.

### A chance to help yourself

We know that by 1983 we'll need at least 600 additional fitter/turners or fitter/welders to meet the expanded requirements for engineering skills in the workforce. That's 600 over and above those already qualified or currently being trained. And it's barely three years away. That's why the Government has set up a scheme to recruit 600 young people by the end of 1981 to begin training as fitters, and at the same time to maintain the normal intake of engineering apprentices. So that when the major development projects draw workers away from their current jobs, we'll have enough people trained to bridge the gaps created in the workshops and the factories where fitters are employed. This means that you, the employer, won't be held back by shortage of skilled workers.

### What the scheme provides.

The scheme — known as the Special Engineering Apprentice Training Scheme — provides intensive training for fitter/turners and fitter/welders. It includes:

- A 20-week pre-apprenticeship training course in basic engineering skills, at the

end of which successful trainees will be recommended for First Assessment

- A 6000-hour engineering apprenticeship, 1000 hours of which are credited for the pre-apprenticeship training
- Technical training during the apprenticeship consisting of two special 4-week courses in the first year, leading to Second Assessment, and the normal 3-week Trade Certificate block course during the second year.

This gives a total of 31 weeks systematic training in technical institutes. And the first 20 weeks cost you nothing.

### The employer's role

After their pre-apprenticeship training these trainees will be apprenticed in the normal way. This is where you, the employer, play a vital role. Because it is intended that these apprentices be hired over and above your normal intake of apprentices. Otherwise the very purpose of the scheme — to train additional fitters — will be lost.

### What's in it for you?

The scheme offers you several attractive benefits:

- First, the pre-apprenticeship course. With 20 weeks of basic engineering training behind them before they even start work, these apprentices will be able to play a far more productive role in your workshop or factory, right from the outset. And, you are also assured of a high standard of recruitment.
- Second, if the apprentice you take on under this scheme is additional to those you were training at 31 March last, you will be entitled to a subsidy of \$30 a week. If the apprentice is still additional after three months on the job, the subsidy is continued for a total of 55 weeks altogether.
- Third, and most important of all, you are protecting yourself against a future shortage of skilled workers.

### An investment for the future

Your investment in training now will give you substantial returns. Because when large-scale developments attract workers away from their present jobs, you will still have the skilled labour your business will need. Don't let this opportunity slip by. Ask now for full details of the Special Engineering Apprentice Training Scheme at your nearest Department of Labour office or fill in and post the coupon below.

## Special Engineering Apprentice Training Scheme.

Auckland Private Bag, Wellesley Street, Auckland. Phone 774-660	Dunedin P.O. Box 900, Dunedin. Phone 770-844	Invercargill P.O. Box 157, Invercargill. Phone 87024	Nelson P.O. Box 442, Nelson. Phone 81479	Tauranga P.O. Box 66, Tauranga. Phone 88146	Wanganui P.O. Box 4127, Wanganui. Phone 55575
Blenheim P.O. Box 121, Blenheim. Phone 87038	Oliver P.O. Box 1044, Oliver. Phone 81230	Masterton P.O. Box 98, Masterton. Phone 89077 and 89078	New Plymouth P.O. Box 279, New Plymouth. Phone 75464	Timaru P.O. Box 528, Timaru. Phone 86199	Wellington P.O. Box 6049, Wellington. Phone 847-929
Christchurch P.O. Box 2880, Christchurch. Phone 794-020	Greymouth P.O. Box 101, Greymouth. Phone 5178	Napier P.O. Box 546, Napier. Phone 55479	Palmerston North P.O. Box 948, Palmerston North. Phone 81123	Whangarei P.O. Box 141, Whangarei. Phone 84619	
	Hamilton P.O. Box 448, Hamilton. Phone 81080		Rotorua P.O. Box 1343, Rotorua. Phone 85039		

District Commissioner of Apprenticeship  
Department of Labour

YES! I want to insure against future skill shortages.  
Please send me details of the Special Engineering Apprentice Training Scheme.

Name .....

Firm's Name .....

Address .....



DEPARTMENT OF LABOUR

## The week

# Study extended to electronics manufacturers

by Allan Parker

RADIO and television manufacturers are on the same wavelength as Government officials on the first stage of the departmental study into the consumer electronics industry. But because the Trade and Industry investigators see little growth prospects for consumer electronics, particularly as colour television production appears to have peaked, the scope of the study has been enlarged to encompass the growing number of commercial and industrial electronics manufacturers.

While the officials see this as the only area for potential expansion, centred around export sales, the radio and television

manufacturers remain cautious about prospects in that field.

One industry source said: "The officials are really pushing this. They see the industrial/commercial electronics field as one big lucrative area."

"But if it was such a lucrative field, somebody would have been into it by now. Private enterprise, by its nature, would have found it if it was there."

With agreement reached on the first stage of the study — a profile which draws up a picture of the industry within the New Zealand economy — officials will move on to the total electronics industry sector and also draw up development plans for the consumer electronics sector for the Cabinet

Economic Committee to consider.

NBR understands that the final agreed profile differs markedly from an earlier leaked version which contained threatening undertones about the value of the industry and its protected environment.

The version that has produced agreement is believed to be more positive about the consumer electronics industry and its contribution to the economy.

The radio and television manufacturers have so far been in tune with departmental thinking, to the extent that they recognise the increasing potential in their fields.

At this year's annual get-

together, the Radio and Television Manufacturers' Federation proposed a name change to the Electronic Manufacturers' Federation. Its executive officer Paul Bardwell said this reflected a recognition that the consumer electronics people can no longer claim sole knowledge of the electronics field.

"Also the big six companies of the federation (Philips, Pyc, Thorn, Allied Industries, Atlas Majestic and Autocrat) are getting into industrial electronic development anyway."

A broader base would also, of course, beef up federation membership.

Such a move, if attractive to outside companies, could bring

successful companies such as Morton's Production Engineering and Gallagher's, Hamilton-based manufacturers and exporters of sophisticated electric fences, into the fold.

The radio and television companies believe there is still potential in the consumer electronics field with developments such as video cassettes and videodata terminals built in to colour television sets.

Meanwhile, the industry is

awaiting publication of the results of a DSIR survey into the total electronics industry.

The DSIR earlier this year canvassed some 300 companies to gather scarce information on the sector, which has grown dramatically in recent times.

It hopes that the DSIR report and the expanded study by Trade and Industry will indicate potential growth areas for investment and still leave them to operate freely in the consumer field.

# Skybus ads fly into flak

by Gordon McLauchlan

THE Skybus man, Matt Thompson, is having trouble getting his message off the ground, let alone any aircraft. The NZ Herald refused "chicks away" to a half-page advertisement for Skybus's Aquo-Avia Society (the advert had been carried by The Dominion).

The Herald said the advertisement did not carry enough information to support the coupon which solicited membership fees (for up to \$150). Thompson dropped the coupon and the Herald decided the Securities Commission quibble about the amount and type of information in the ad still disqualified it from being fit for the tender eyes of its half-million readers.

Thompson says he submitted another half-page ad with a picture of a DC-8 in Skybus livery bearing the message: "Skybus your new airline. ... Kiwis can fly again. How do you like the idea of New

Zealanders joining together to fly again?" That, he says, was rejected.

But Herald advertising manager John Ellison says he never saw that ad. So it seems the Skybus ad will never fly in the Herald.

Thompson says about 3000 coupons have been received from other advertisements around the country, but not all of them with money.

He believes the media have been preoccupied by the domestic service Skybus has proposed, whereas it is now more likely that the international charter services will start first — before Christmas, in fact.

Will he need to get the Government's permission at each end of international charter flights? "No because we are all in it."

But won't the Government transport agencies need notification and to give approval? "Permission is a formality. You advise them that you are coming."

You don't close your eyes when you drive a car... so why should you when you buy one?

## TOYOTA CORONA.

Spacious, quiet, comfortable the perfect family car.

But what if you want to drive it like a sporty car?

Meet the perfect family car. It's got a new standard of comfort built to relax in. There's plenty of room inside, front and rear. The well-planned ventilation system keeps the air inside fresh. Its heater blowers warm air down toward the floor so the whole car stays uniformly warm as well.

Driving Corona is relaxing too. The instruments are easily and instantly readable. The panoramic visibility is 306 degrees. And shifting, clutching and steering are light but firm.

Corona's standard of performance will match any sporty driving you want to do. Its 1,800cc engine with a 4-speed transmission will take Corona to a top speed of 160 km/h, and 0 to 100 km/h in just 15.4 seconds.

Corona is economical for a big family car. It rates 10.5 km/l (DIN) with its 1,800cc engine.

Corona's superior aerodynamics contribute greatly to its driving stability. As does its wide 1,350mm tread and coil-spring suspension on all four wheels — engineering that results in a stable, smooth and comfortable ride.

Coronas are built to last. Tough undercoatings, thick enamels and anti-corrosive treated sheet metal make Corona truly rust resistant. Plus, Toyota pays the attention to detail in production that makes certain each Corona is a top-quality car.

Toyota Corona is both a perfect family car and a fine touring car... thanks to Toyota engineering.

THINK IT OVER.

TOYOTA



Model: Type 400 (China) - Bore x Stroke: 86.0 x 78.0mm Displacement: 1770cc Compression ratio 8.0 to 1 Top speed: 160 km/h 0 to 100 km/h: 15.4 sec Max torque: 13.5 kg-m/3400rpm

DIMENSIONS: Overall length: 4400mm Overall width: 1600mm Wheelbase: 2500mm Track: F: 1500mm R: 1500mm



## Editorial

SUCCESSFUL palace coups are typically short, sharp, decisive affairs (as Sergeant Doe, for example, effectively demonstrated in Liberia earlier this year). It's a lesson that failed to be heeded by those National Party MPs — among them, a handful of Cabinet Ministers — who have been meeting late at night in recent weeks to discuss the leadership style of Rob Muldoon, and have made over their dissatisfaction. There is no doubt they conspired to have him displaced — by whom is of academic interest. The simple fact is that, when Muldoon emerged from the party's caucus meeting last Thursday, he was still the Prime Minister. The only change that had been effected — at least, so far as the public could see — was that Dall Jonson had resigned his post as deputy whip, on a matter of principle unconnected with the leadership controversy (he objects to legislation that will abolish adultery as a ground for divorce).

Perhaps the country should be grateful that the rebel MPs failed to win the leadership rebus. If their efforts to organise a coup while Muldoon was overseas for six weeks (and thus was unable to muster support) are any indication, they would scarcely be fit to organise the rejuvenation of an economically dispirited nation. As it happened, they telegraphed their intentions and gave Muldoon ample opportunity to rally support on his return. (And as one party source confided: who would want Christ's College to

run New Zealand? — a reference to the silver-spoon element within the rebel faction).

But the country can take scant satisfaction from Muldoon's personal triumph. His record is one of dogmatic determination to impose his will and of divisive indifference to the legitimate demands of significant portions of the electorate on a number of issues. At a time in our history when we desperately need a leader who will unite the country, the Government caucus has re-endorsed as Prime Minister a man to whom compromise seems to be anathema — a man whose inclination is to divide and rule.

His style has not only split the country; it has split the party. And at the very time he should have been applying a salving balm to the resultant wounds within his caucus, he was talking scathingly of "wet-behind-the-ears" colleagues. Those criticisms appear well justified; but if he lacks the grace to reunite a shattered party, what hopes can be held for the rifts in the broader community?

Criticisms of Muldoon's leadership have been levelled both by the party organisation and the Parliamentary wing. Nine MPs put a number of clear demands to him last Tuesday: they wanted tax reforms; a more positive commitment to freeing the economy from Government regulation; an end to ad hoc economic policy-making; protection to the public of the Government's development

strategy; a Cabinet reshuffle; an end to trivial and confrontation of which Muldoon is a master. In broad terms, I would support the fundamental thrust of those demands. The reservations expressed in this column about aspects of the development strategy, for example, might be dispelled if that strategy was to emerge from the crucible of public discussion and debate, rather than be thrust on us from arrogant politicians.

It is unlikely, of course, that Muldoon is capable of changing his leadership style, of showing more willingness to respond to informed opinion in shaping policy directions. Backbenchers nevertheless are urging party members to suspend judgment on his capacity to change. They want time to demonstrate the efficacy of the new-found leverage that they claim they can exercise.

They say they have frightened Muldoon and can do so again. I doubt it. And unless the electorate does see positive results from last week's events, it will share that doubt. Its attitude will be reflected in the polls at the next election.

There is more to all this than winning and losing elections, however. What is at stake, more importantly than the fortunes of the National, Labour or Social Credit parties, is political stability. So long as the National Party is divided and at odds with its leader, a significant portion of the electorate increasingly will turn to Social Credit not

because it shares Soerod viewpoints but through sheer frustration with the alternatives.

The results are disconcertingly predictable. The 1980s — what few months have gone by — have been unrelenting except without the National Party gratulatively feeding that uncertainty.

A business community whose members traditionally have been championed by the National Party must have wondered at last week, just what has been accomplished.

No doubt some businessmen were among those who flooded Muldoon's office with expressions of support. His no-nonsense style has certainly won a great many admirers over the years. But much of the Muldoon magic was given popular legitimacy by an aura of economic wisdom and personal strength of character that stemmed from imagery. These apparent strengths have been seriously eroded by National's economic performance and by the challenge (albeit a hostile) from Muldoon's colleagues. Most businessmen — anxious for the economic climate to become settled sufficiently for them to plan confidently and ambitiously — must now despair while asking themselves if we can afford a leader with whom the significant portion of the National Party has become profoundly disenchanted.

— Bob Ellis

## Without word of a lie

### Not commenting for fear of vested interest

COMPANIES such as Newtel and Telpac, which are offering electronic information services, are curiously reticent about revealing information on themselves.

NBR has striven to bring them out in the open to talk about their projects, the technologies involved and the people behind them. We have been rebuffed.

Replying to the latest of our inquiries, Telpac chairman Bruce Grierson last week explained his reasons for the "no comment" stance.

"We are not satisfied that the inquiry is not a fishing expedition by Reg Birchfield and the National Business Review."

Asked what he meant, Grierson referred to our "interest" in viewdata. He said that while his people did not feel they were competing with Fourth Estate's viewdata proposal, we might think otherwise. (Fourth Estate, which publishes NBR, registered a new company — New Zealand Videotex Systems Limited — earlier this year, for the purpose of promoting a business viewdata service in New Zealand.)

"We can't treat (the question) as a straight news inquiry," Grierson said, referring to a request for details of the people involved. But he did say that "a news service will be provided by computers having a real time capability."

If industrial espionage really was our intention, we have been hamfistedly overt about it — and we were going to public our findings to let everyone in on the secret.

Furthermore, if we were fearful of their competition, we wouldn't toss them this advice: Their reticence has not gone down too favourably in some quarters — particularly with those who note that the viewdata interests fronted up publicly with all details relevant to their proposals.

### Communication a weighty matter

GIVEN the fact we're not perfect in ensuring that no misprints slip into our news columns, and remembering that those who live in glass houses shouldn't throw stones, we're perhaps being unduly pinpricking in bringing this item to the attention of our beloved readers. But one of our

contracts, out there in the business world, was wryly amused by his invitation to the Wellington Chamber of Commerce Small Business Development Centre for a seminar called Open Communication, on the art of communication in job security.

The discussion, said the invitation, would be "lead" by Alan R. Simm, who is designated executive vice-president in charge of business education.

### The truth about Mexican mañana

PERHAPS with an eye on the worsening political situation back home, the New Zealand delegation

to Mexico was quick to trumpet a major deal to supply the Mexicans with milk powder. Grand visions of moving mountains of milk powder across the Pacific were fed back to the nation.

Behind the cheery news, however, lies the fact that no contract was signed. Rather, the deal was merely an alteration in a supply contract the Dairy Board has had with the Mexicans since 1973.

The Mexicans have agreed to change the basis of payments for supplies of Kiwi milk powder by picking up the freight bill. Previously, we have sold on a c.i.f. basis, now it will become f.o.b.

The good news for us is that the price advantage for North American, Irish and European producers is now removed. For the Mexicans, the new deal strengthens their own hand by giving

them a southern hedge and spreading their sources of supply.

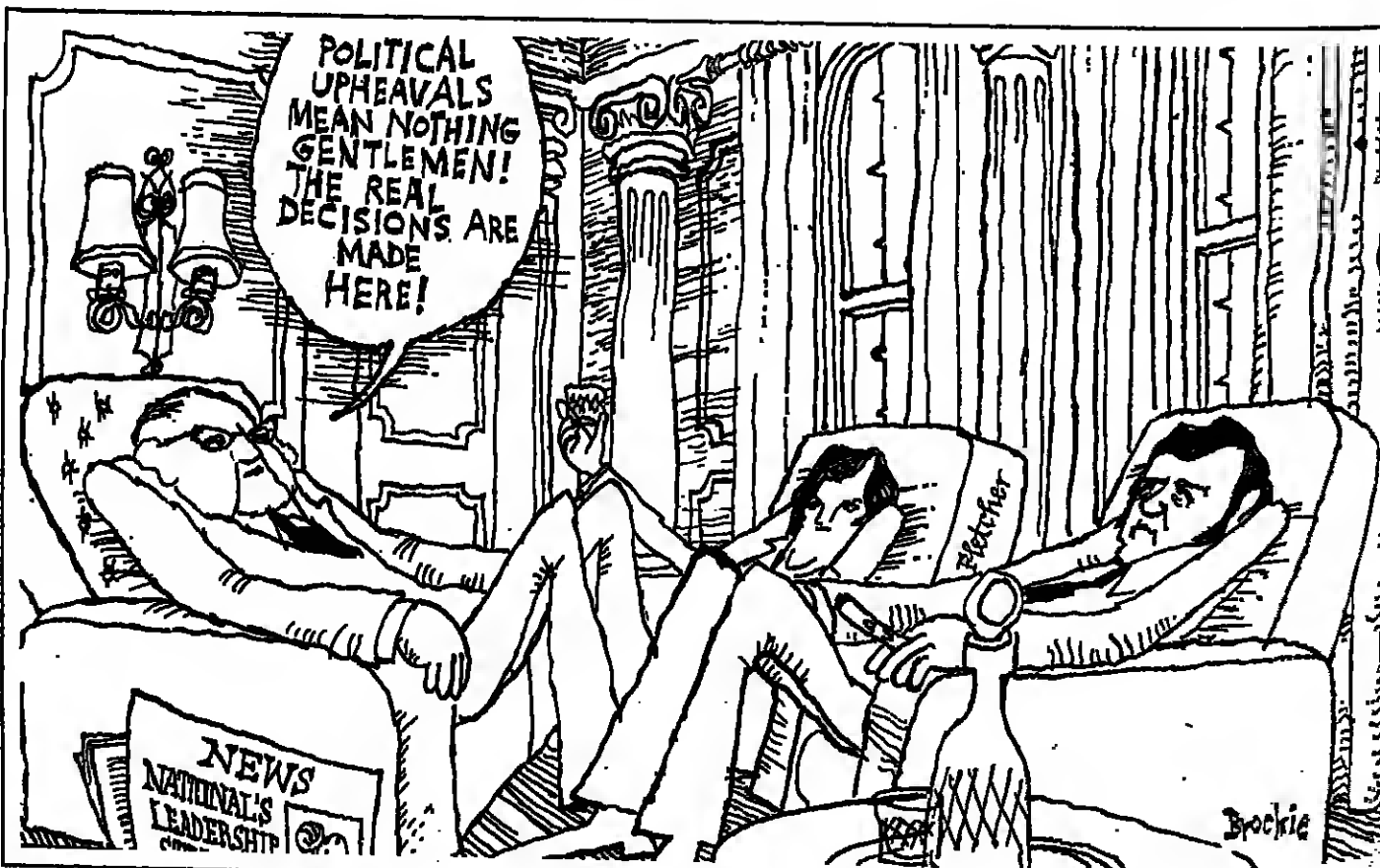
Suggestions that the recent agreement signals a dramatic breakthrough for New Zealand and heralds massive new milk powder sales are simply not true, according to industry sources.

And they point out that quantities for the coming year have not yet been set.

Negotiations like these are conducted for months and even years before a suitable occasion such as a State visit is found to make a public announcement.

But our sources are puzzled about why the official announcement was used to create a misleading — but very favourable — impression.

## Brockie's view



Brockie

For instance, the New Zealand Planning Council's report published in March 1978, *Planning Perspectives 1978-1983*, does not use the word "structure". It is a "reshaping the economy". Its subsequent publication in October 1978, *The Future of New Zealand Agriculture*, written by Ian McLean and often used as a reference by more marketeers, does not use the concept.

It was not until 1979 that the more marketeers advocated restructuring.

This distinction is understandable if we reflect on what the notion of restructuring entails. There are three distinct ideas:

(1) That an economy has a structure. A structuralist believes that an economy has an underlying framework, that parts of the economy have a relationship with other parts and that these parts and the relationships are relatively rigid.

A marketeer believes there is a much greater degree of economic flexibility, although they might believe there is inflexibility arising from necessary political and social intervention.

(2) That at present the economy has the wrong structure. I would think this is evident to a structuralist. I do not know what it means to marketeers since they have no concept of structure. This point involves a delicate political problem, because it raises the question as to why the economy has the wrong structure;

(3) That measures have to be taken to change the structure. At that point, the political problem becomes acute, because we might ask the economic managers of today, who after all usually the managers of the past or their heirs,



Ian McLean... does not use the concept

did not take measures much earlier. We may give the prize in New Zealand to the who comes second in the race as an incentive to mediocrity, but this lot were in the back half of the bunch.

As I have stated elsewhere, the more marketeers are a bit intellectually soggy, leaving numerous questions unanswered. Indeed I believe they have misled the Government into adopting policies which predictably were going to fail through unacceptable political consequences.

For instance, the refusal of the more marketeers to discuss market power and the social control of monopolies has left the Government tarred with the brush of being in the hands of the multinationals and big corporations, while neglecting the medium and small business people and the farmers.

In a fair race between the financier and a garage proprietor, I know who the electorate will back every time.

Moreover, because they have no feel for the structure of the economy, the more marketeers have lamentably been unable to articulate the economic successes we have been having. The result is that the Government has been left stranded with its publicly prominent failures, but without any recognition of its success. Let me confess that my standard public lecture dwells on these achievements, after having criticised some of the Government's crazy policies, such as over-emphasis on large-scale projects. You can feel the audience's optimism rise as restructuring is illustrated with successful examples.

I am then invariably asked why the Government has not been telling us of its triumphs, to which I have to answer that the Government

## Putting some structure into the buzzword debate

by Brian Easton

"RESTRUCTURING" has become a buzzword among politicians, political journalists, and even the person in the street. Very few of them appreciate the context in which its use originated in New Zealand economic discussions.

The notion of structure is a well established economic idea. The view that New Zealand had the wrong economic structure occurred shortly after the 1974 economic downturn. I was publicly referring then to "the structural imbalance in our balance of payments", an allusion to a similar debate in Britain in the 1960s in which I had previously participated. The concept was also being used in Australia in the early 1970s.

By 1976 the notion had entered the more respectable official economic policy literature, including Brian Talboys' (excellent) speech to the National Party in 1976, the Monetary and Economic Council report of October 1976, and Treasury official David Preston's speech to the August economists conference in 1977 (subsequently published in *New Zealand Economic Papers*, 1978).

I have no wish to claim precedence for the term as applied to New Zealand. (Indeed, they also make the claim might contact me, because I plan to write a study of economic policy-making in the 1970s.) What has to be pointed out, however, is that, in contrast, the "more market" advocates were not using the concept until much later.

For instance, the New Zealand Planning Council's report published in March 1978, *Planning Perspectives 1978-1983*, does not use the concept. Rather it writes of "reshaping the economy". Its subsequent publication in October 1978, *The Future of New Zealand Agriculture*, written by Ian McLean and often used as a reference by more marketeers, does not use the concept.

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This distinction is understandable if we reflect on what the notion of restructuring entails. There are three distinct ideas:

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(2) That at present the economy has the wrong structure. I would think this is evident to a structuralist. I do not know what it means to marketeers since they have no concept of structure. This point involves a delicate political problem, because it raises the question as to why the economy has the wrong structure;

(3) That measures have to be taken to change the structure. At that point, the political problem becomes acute, because we might ask the economic managers of today, who after all usually the managers of the past or their heirs,

doesn't seem to know what it is doing — good or bad.)

Far be it for me to try to stiffen up the intellectual basis of the more marketeers, but might I suggest that they could more appropriately refer to "modernisation" which is the need for changes in political and social institutions. You might call it political and social restructuring.

I notice that Deputy Finance Minister Hugh Templeton has used the term modernisation in some of his speeches; perhaps that is the merit of being a history graduate.

But let me not finish by leaving the more marketeers up the creek or, in the Wellington vernacular, still "getting their act together". Instead I briefly summarise a structuralist view:

(1) New Zealand is suffering a structural imbalance as a result of a change in the world economic environment which began in the mid 1960s, compounded by the economic and social rigidities inherent in a modern society, plus unnecessary political rigidity;

(2) By the wrong structure it is meant that we are producing the wrong products, with the wrong technology, even in the wrong place, and often for the wrong markets;

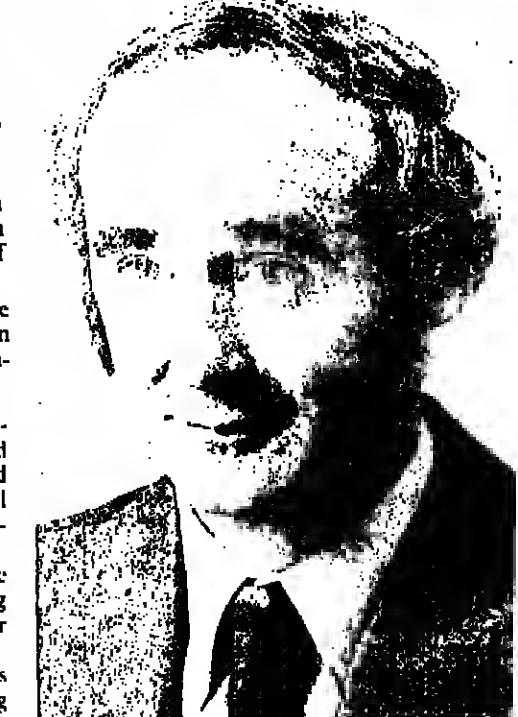
(3) Restructuring means changing this. It does not mean destroying jobs and firms and hoping that an economic miracle will create alternatives. The relevant concept is redeployment not unemployment;

(4) There has been substantial restructuring over the last decade. The easy illustration is the farm sector;

(5) Nonetheless further restructuring is necessary, with greater emphasis on import substitution, labour intensive technologies, and higher investment productivity;

(6) While some large projects have a role in future development the structure of New Zealand is basically one of small and medium size enterprises which must carry the main burden of development;

(7) The market is a powerful instrument of



Hugh Templeton... marl in being a history graduate

economic management. However to use it as the sole instrument is like restricting yourself to building a house with only an axe. What is needed is a new economic mechanism based on decentralised planning which uses the market as one of its means of economic regulation.

If we can think of restructuring in these terms, it ceases to be a buzzword, and instead becomes a positive way of looking at the development of the economy.

Brian Easton is lecturer in economics at Canterbury University.

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## NATIONAL BUSINESS REVIEW

Published by Fourth Estate Newspapers Ltd.  
Managing Director: Reg Birchfield  
Marketing Director: Ian F. Green  
General Manager/Accountant: Stephen Underwood  
Editor: Bob Ellis  
Production: Ralph Green, Ann Taylor

News & Features:  
Colin James, Rae Mazengarb, Stephen Bell, Jack Hodder, Allan Parker.  
Contributing:  
Finance: Peter V. O'Brien  
Auckland Bureau:  
Warren Berryman  
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Advertising Sales:  
Manager: Paul A. C. S. Loh  
Promotions:  
Manager: Keith Scott

Circulation:  
Manager: Jan Chase  
Auckland Office:  
2nd Floor, Levens Building  
Cnr. Alameda & St Paul Streets, Auckland  
Tel: 799-904  
Wellington Head Office:  
Fourth Estate Newspapers Ltd.  
15 Blair Street, Wellington, NZ  
P.O. Box 9344  
Tel: 738-878  
Cables: Natbus

National Business Review Incorporated is a registered publication weekly (except for last week December and first two weeks January).  
Typeset and composed by Computype Services Ltd., Wellington. Printed by R. Eades & Son Ltd., 118 Kapiti Road, Paraparaumu.  
Single copies: 80 cents  
Subscription rates: NZ\$30  
Member: ABC (Audit Bureau of Circulation)

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## Letters

## Restorative reforms?

IN his article *Bettering Mrs Thatcher* (NBR October 6) your economic correspondent refers to strict monetary reforms applied by the Thatcher Government which are "more sensational but less restorative" than those introduced in New Zealand.

It is not clear what those reforms are supposed to be or why monetary conditions in either country are supposed to be restorative.

Like the Muldoon Government, Mrs Thatcher promised large public spending cuts if elected. But her penchant for building up the country's military strength has led to a budget deficit greater than the previous Labour Government managed.

The interest rates needed to finance the resultant public sector borrowing requirement has not exactly had a restorative effect on the economy — rather the opposite. Companies have been squeezed between falling export revenues because of a high exchange rate and high borrowing charges, as well as being undercut by cheap imports. The consequence is a trail of bankruptcies and redundancies.

In New Zealand the situation is somewhat similar with the Government having to borrow to pay for an extravagant and unwanted pension scheme equal to some 6 per cent of the country's GDP, except that in New Zealand the Government chooses to borrow the deficit from overseas thus inflating the money supply and dislocating the economy.

The message seems to be clear — unless Governments are prepared to live within their budgets and pay for their pet projects out of revenue and not from borrowing we will continue to see disruption to the economy. If Government expenditure equalled its revenue there would be no need for it to borrow and hence interest rates would be set completely by

market forces and not by Governments.

G B Churchman  
Reading  
England

## Pleading the right of appeal

WE have read with concern the Kiwifruit Marketing Licensing Authority letter on the subject of export marketing of kiwifruit, (NBR October 6). The letter is a distortion of the facts and the fact that a statutory body such as the authority should see fit to act in such an irresponsible manner should concern all those associated with the kiwifruit industry.

Our criticism of the authority revolves around its continued refusal to give reasons for declining to issue export licences. The fact that there is also absolutely no right of appeal for a new licence applicant means that new applicants, who over the past three years have in the main consisted of some of this country's largest and best-known export companies, have no further means of redress insofar as refusal of their licence applications are concerned.

We contend that if appeal provisions for new licence applicants were written into the regulations, then licence decisions would be made properly, full reasons for refusal would be given, and applicants qualified to competently extend the total export marketing effort for New Zealand kiwifruit would have the opportunity to do so. With a 700-800 per cent increase in production forecast by 1990 we consider it vital that this marketing effort be substantially increased now — not later when it will be too late.

The KMLA letter attempts to defend the presence of exporters on the authority. We do not disagree — in fact we would prefer to see marketing policy being determined solely by exporters who after all have the expertise and the final responsibility. We do, however, object strongly to these exporter representatives having any part of discussions or decisions on the question of licensing their potential competitors. We find this situation quite extraordinary.

It is stated that the KMLA was formed at grower's request. This is incorrect. The Government insisted that some overall controlling body be formed and that if growers did not come up with an acceptable proposition then the Government would do it for them. Under this type of veiled threat the growers did indeed respond and made submissions for the formation of an authority but the final draft of the regulations was never referred back to them for final approval. The result has been a much narrower and more restrictive body than was ever envisaged by the majority of the growers.

A grossly misleading statement in the KMLA letter occurs when they state that nine out of 22 applications were successful last year. In fact the nine are merely the "original" exporters who have always held a licence simply, it seems, because they have had a "history" of exporting kiwifruit.

The only reason their annual applications for re-issue of licences are successful is that appeal provisions do exist for current licence-holders whose licences are revoked or not renewed for any reason. The

authority knows full-well that they could not substantiate a decision not to renew if the decision was appealed against, as would most certainly be the case.

The final point raised was the statement that the present success of the kiwifruit industry is due to the existence of the KMLA which has only been in existence for three years.

In fact the foundations of success were laid some nine to 10 years ago with private enterprise exporters freely co-operating in active export promotion and marketing. The KMLA has merely given legal effect to what was already an established, professionally operated voluntary co-operative association.

The KMLA would do itself, not to mention the kiwifruit industry as a whole, a great service if it conducted its affairs properly and democratically, instead of as at present in a dictatorial and wholly unjustified manner.

The alternative, bearing in

mind the massive increases in production coming forward could well be a marked decline in profitability for producers which could quite conceivably lead to the formation of a single marketing board.

This would substantially undermine the success that has been achieved to date.

J B Donald  
Secretary  
Horticultural Free  
Enterprise Association

## A self-evident spent force

IN your defence I must point out to the deputy leader of the Values Party, Janet Roborgh (NBR October 13) that the Values Party was a spent force by December 1978. That it will be a spent force in November 1981 is therefore self-evident.

In fact the Values Party took ill in April 1977, had a severe political accident in November 1978, manifested symptoms of severe trauma at its annual

conference in 1979 and finally gently expired in East Coast Bays this year.

Throughout its rather frenetic existence the Values Party lacked intellectual coherence, a clear definition of strategy, a sustained commitment by its members, and a real sense of common purpose.

Divided into two or more rival groups at any one time the Values Party, with inadequate leadership, stumbled from crisis to crisis and eventually disintegrated into its component parts at Masterton in May 1979. Since then its political credibility has vanished and its message evaporated, apart from some faint murmurings in the provinces.

As one who unwittingly contributed towards this unhappy result I never-the-less share Janet Roborgh's view that "few would disagree that the need for the Values philosophy is greater now than at any previous time".

Indeed the Values 1978 Policy Manual provides a

dynamic blue-print for the future — for the yet unborn New Zealand radical movement of the 1980s.

My suggestion to Janet Roborgh and her associates however, is that they build clear of the debris of a failed political vehicle and start again. They need to build a movement from the local level outward to the national level, to be directly responsive to local needs, and more appropriate for the decade than the active, rather conventional political party format that was the New Zealand Values Party.

If they move to focus the radical left opposition to the present system, to provide a co-ordinating integrity function for the progressive elements in New Zealand society, rather than pre-occupying themselves with putting their names on the electoral list, they may well be successful.

John A. Stewart  
NZVP fieldworker 1981  
Christchurch

## Politics

## Lesson from a master in how not to run a coup

by Colin James

THE dissidents, however, made the mistake of sending a delegation of four the night before to warn the premier that he might as well step down, as they had the numbers among Country Party parliamentarians, 16-10." (Hugh Lunn: *July*)

The "dissidents" were Queensland Country Party MPs who thought Premier John Bjelke-Petersen was performing so badly that the party was going to lose the next election and they their seats.

Bjelke-Petersen spent the night on the phone to his MPs one by one, calling in debts and promising favours. By next day the scores were even and John survived.

That was October 20 1970. On October 20 1980, Bjelke-Petersen was still in power, unchanged in style.

The lesson for coupsters: strike at once; don't give the king time to play the trump cards of patronage, publicity and pressure.

As Machiavelli once said, "a plot should never be divulged unless one is driven to it and it is ripe for execution."

And of delay the crafty political instructor wrote in his *Discourses*:

"Certain persons were conspiring against Sitaces, king of Thrace, had settled the day on which the deed was to be done and had gone to the place assigned at which the prince then was; yet none of them ventured to attack him, so that at length they went away without trying to do anything and without quite knowing what had prevented them, each laying the blame on the other."

"They made the same mistake more than once, so that in the end the conspiracy was

discovered and they were punished for a crime which they could have committed but were reluctant to commit."

A different age and different facts from the National Party rumour. But the general message is valid: if you want to do the king, pick your time and carry it through. Above all, organise.

The National coup that wasn't did not meet those criteria. It resembled more a bubbling over of frustration than the product of cool forethought.

And, curiously, that was both its strength and its weakness — strength in that its spontaneity carried a strong message to the Prime Minister and weakness in that, if it aimed to replace him, it was doomed to fail.

The idea of replacing him developed seriously only late in the piece. After the East Coast Bays by-election, when Dail

Jones publicly said what a lot of MPs were saying privately, the emphasis was on putting the Prime Minister on a short lead.

That talk began to die down, of course, as it always has in the past. But this time the party outside — running into fearful trouble since early August signing up members in the new membership year because of resistance to the Prime Minister — would not let the MPs forget.

The outside pressure worked. In the first week of October talk among MPs intensified.

The first inkling I got was in a conversation with an MP on October 7 who insisted that if the Prime Minister did not conduct himself with great care when he got home the following week anything could happen — including, he hinted, his replacement, though that was admitted to be unlikely: the

emphasis was still on leg-roping him rather than replacing him.

During that week some MPs began counting heads for a possible coup. Versions of how far they had got by the end of the week differ, some saying 23 names were in the bag and others saying it was still at the stage of loose talk, compiling lists of putative, rather than committed, coup supporters.

A rumour emanating from outside Parliament that 29 were for change was dismissed by insiders.

But the sands shifted the following Tuesday October 14. The attempt to topple the Prime Minister turned serious and commitments were collected in writing on slips of paper.

Starting with 20 names on the Tuesday, the conspirators in a day of hectic and heady activity on the Wednesday, the day the Prime Minister returned, got that up to 26 including some most unlikely names. That was a majority.

Then began a week of psychodelic politics, never quite wholly divorced from reality but definitely far beyond the normal sensual experience.

It was on the Wednesday night that the Prime Minister reportedly came across one of the four "colonels", as they have become known, Derek Quigley, and the chief whip, Tony Friedlander, and asked them if they were plotting.

The answer was a blunt yes, which prompted the summons to Friedlander to see the Prime Minister in his office the next morning and led to the celebrated washe-sacked, did-he-offer-to-resign affair that blew up on the Friday.

Going into the caucus meeting of MPs the next day, Thursday, October 16, the Prime Minister has been reported to me as confiding he thought he was six votes down.

But the conspirators had an important weakness which he proceeded to exploit. They did not have a standard-bearer.

Deputy Prime Minister Brian Talboys was the obvious focal point for their ambitions. Anyone else might split the rebel vote and in any case Talboys was the only person with sufficient stature and with a clean enough past record to draw both pro-change and anti-change MPs together after the inevitably divisive event.

They lobbied him by telephone halfway across the world, trying to convince him they had the numbers and to lend his name to their efforts. Even as they conceded defeat the last week, conspirators were insisting that the leadership had been there for Talboys' taking on October 16.

But the Prime Minister outflanked them by getting one of his supporters, David Thomson, to ring Talboys once more for an official message. Typically, that message equivocated, agreed to serve if the caucus insisted but thrice urging it not to strike.

Having thus armed himself, Muldoon contrived to leave the leadership issue to the end of the caucus meeting, when finally Don McKinnon raised it under the last heading on the agenda.

Muldoon let the debate go, was conciliatory, attentive and "almost humble", promising MPs, who had little stomach to press the issue. In the light of Talboys' hanging fire, as much

time as they wanted at future caucuses to discuss the issue.

The battle was won then. The Prime Minister had bought, not the 12 hours Bjelke-Petersen got by on, but seven days. He went public, hard and brilliantly.

By any standards, he made superb use of the media, refusing the penetrating questioning of Ian Fraser on *Newsnight* (claiming that "entertainment") in favour of the more generous format of *Close-up* and *EyeWitness*.

He picked himself off the floor and began to insist he had it won — using the psychology of winning to undermine the confidence of his opponents.

And he put the heat on the individual MPs, living them up for or against him, applying the old tactics of fear and hope — those cold eyes that have sent shivers up the spines of grown men; and the generosity of the dispenser of patronage.

He peeled some 10 off the list of signatories, including one of the "colonels", Jim Bolger. Talboys, when he got home, found the ladder bare.

Attention by then had reverted to wringing concessions out of the Prime Minister.

For some among the legendary 26, the issue had never seriously been more than that. Their aim had been to get policy changes and reforms in the Prime Minister's conduct and they felt the best way to get them was to give him the fright of his life.

They might well have done just that. For the first time, MPs have been rooping up his office to tell him to his face what they think of him — and many of those who never wavered from his support are said to have told him some uncomplimentary things about himself.

On top of that, he has seen the extraordinary spectacle of MPs openly stating their disagreements with him in the news media and even, in some cases, making it clear they want him out.

At the most basic level, even his loyalists made clear to him they did not want any more of the past days when some ministers sat cowed and silent at the Cabinet table and some backbenchers had to grit their teeth to contradict him in caucus meeting.

MPs across a wide spectrum of attitude to change also spelt out lists of other improvements they wanted: Cabinet renovation, new policy directions, positive projection of the party's "more market" economic beliefs and development programme, an end to political trivia.

As this column went to press last week those demands were going into the caucus melting pot. Whether they will get far or will be lip serviced only by a newly reconfirmed Prime Minister is a question for next week's probably sceptical column.

But there was one consolation prize for disappointed, and by now probably confused, party faithful.

Their great groundswell of anger and resentment has given New Zealand a rare political event, an unprecedented open challenge to a National Prime Minister that had him, for a moment, on the ropes. Machiavelli has some good advice for errant Prime Ministers, too.



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## Economics

## Muldoon's tiller-grip at odds with party policy

Economics Correspondent

PRIME Minister Rob Muldoon's management of the economy is under fire within the ranks of his own party. He has failed to bring about the miracle of restoring New Zealand's shattered economy. And there is a widening gap between his pragmatic vision of the 1980s and the more free enterprise view of National Party president George Chapman.

But Deputy Prime Minister Brian Talboys thinks the Government is getting back to basic free enterprise. The problem is that National's plan has not been clearly explained to the public.

Muldoon's influence on economic affairs goes back to 1967 when he first became Finance Minister. His hold on the tiller has only been broken once, when Labour was in office between 1972 and 1975.

Muldoon's style of economic management has been a curious assemblage of decisive leadership, fancy footwork, impressive public relations and almost perfect political timing. The economy brings uncertainty into most of our lives, but for Muldoon it is a vehicle for his political success.

To win in 1978 he timed expansionary fiscal and monetary policy to ensure real incomes rose in time to fill voters with goodwill towards his incumbent Government. And then, to show how good he was at managing Government spending, he slowed it down to below the rate of inflation and reduced the Budget deficit by over \$400 million in the following year.

Although the Prime Minister continues to win a few skirmishes, the real battle with the economy is far from won. There is growing fear that Muldoon is more interested in keeping up appearances than getting to the root of problems like unemployment, inflation, the balance of payments constraint, inconsistent fiscal and monetary policy, a poor investment environment and stagnant economic growth.

Muldoon's manipulation of economic policy to suit his own particular purposes has fueled uncertainty about the future. People in business distrust efforts to stimulate investment around election time, because they know the crunch will come after the election. Wage earners are no longer convinced that inflation will come down and taxes will be significantly reduced, so they demand ever increasing wage increases.

After National's loss of East Coast Bays, Deputy Prime Minister Brian Talboys tried to set things right in an address to the Wellington Manufacturers' Association. He belied that the National Government now has

an economic policy package designed to bring about economic growth has not been sold very well.

The Government's policy for managing the economy is laid out in this year's Budget. While it will not yield instant benefits and will mean some short term hardship and political unpopularity, Talboys says it is in the best long term interest of the country.

The Government's story about the economy has been revised. In the 1970s, everything that was wrong with the economy was the fault of the inexperienced 1972 Labour Government. Talboys's story is that things have changed from the secure economy we once knew. We can no longer depend on the foreign exchange earnings of our farming sector to keep the economy afloat. The loss of our secure market in the United Kingdom to the European Economic Community and the energy crisis of the 1970s have precipitated the need for change.

And Talboys believes that we can achieve this needed change without social and economic upheaval. We can prosper through entering a new era of economic freedom.

Talboys takes the opposite tack from his leader who generally expounds all the economic improvements brought about under National. He outlines a record of stagnation.

Our standard of living, until the 1960s, was among the top five in international country comparisons, but in 1978 it was twentieth in the world and continues to slide. Our rate of economic growth has been the worse of the industrialised countries with output per head increasing by a meagre 35 per cent in the 20 years from 1960 to 1980 compared with 100 per cent growth in most European countries.

The performance of our export sector, normally a leading sector in the economic growth cycle, has been, by comparison with other countries, equally dismal. Whereas Japan increased its exports by a staggering 950 per cent in the 1960s and most European countries have achieved growth rates of 200 per cent or more, our exports have grown by less than 100 per cent.

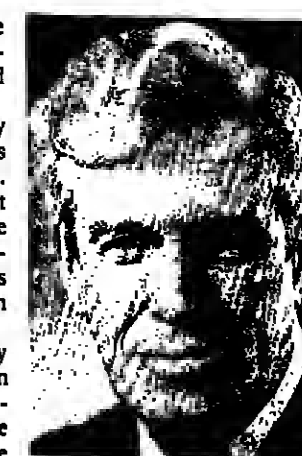
Some of the causes of our poor economic performance have been external. Our terms of trade have suffered under the impact of higher oil prices, inflation of import prices and recessionary conditions in our main markets.

But, Talboys believes, it is our failure to increase output which lies at the heart of our difficulties. He claims that our long run historical increase in output per worker has been around 2 per cent a year but that between 1974 and 1979, output per worker grew by a minuscule 0.2 per cent a year.

The environment which has produced this poor productivity record has been too secure.

A high level of inertia has developed because extensive controls and regulations have limited both external and internal competition. They have led to poor commercial efficiency and little incentive to contain costs. More recently they have taken their toll on employment.

Talboys argues that the Government has had to come to



Brian Talboys... opposite tack from his leader

terms with the reality of these failures. Successive Governments, over a long period, have failed because they have shunned orthodox policies.

Under pressure from different sectors of the community, Governments have oblig-

ingly tried to repeal the laws of supply and demand. They have intervened to control prices, fixed exchange rates at overvalued levels, artificially raised the price of imports through protection, frozen public sector charges in the face of rising costs, kept exporters afloat by subsidies and controlled interest rates so that savers subsidised borrowers.

"All of these actions, run counter to orthodox economic prescriptions."

For Talboys, orthodoxy means getting back to basics and getting back to basics means less Government intervention.

Talboys's speech is filled with contradictions. It shows that he has thrown his hat into the ring with the free enterprisers but it is not clear that he is aware of the implications of free enterprise philosophy.

He eludes that getting back



Rob Muldoon... more interested in appearances

to basics means restricting Government spending, but admits that spending has been increased this year to support domestic demand. And while he wants to introduce more competition to control inflation, he also thinks something

must be done to control wage rises. Voluntary wage controls have not been very successful, so what kind of control is he referring to?

Talboys also advocates restructuring as a means of expanding our output.

While more competition may distance the Government from the failure of firms unable to compete internationally, it is not clear that it will result in a growth of output in the short-term. Until firms get on their feet, there may be more unemployment.

More free enterprise is not necessarily the answer to all our economic problems. It is not enough to try to sell economic policies by labelling them in this way. It must be shown that they will work here to bring about an improvement in economic activity.

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## 'In national interest' could develop new meaning

Continued from Page 1.

That may not be a "bad thing", although it tends to be self-perpetuating power, because "shareholder democracy" in this context is a myth.

The potential danger lies in attitude. Trotter and Fletcher have been propounding a philosophy which wraps up shareholders, staff, the public and the "nation".

In 1976, at a Challenge annual report presentation, an audio visual staff development programme was shown. It contained the point that "the individual's needs and aspirations coincide with the company's needs and aspirations". Trotter later referred to the need for well qualified top people to get together in the country's interests.

My brief notes of that speech include the terms, "professional men, accountants, businessmen, MPs" and, for some reason, "doctors".

By using these people, as the argument ran broadly, we could increase productivity and out-perform the Swedes and the Germans.

Hugh Fletcher seems to have developed a similar type of philosophy, which has been tagged "New Zealand Ltd", by the cynical.

At last Wednesday's press conference, and on other occasions, both men referred to "the nation", or national interest, when bringing together all the factors related to the country's development.

When self-defined concepts of the "national interest" are combined with sizeable financial power, the ability to raise much more money, and a corporate framework, the potential for danger is high, just as it is high if the State can exercise massive power, although in

PETER VO'BRIEN comments on the financial and business week, appraises the share market and analyses the company accounts.

New Zealand the State's representatives go to the ballot box every three years.

This merger is not the end of the story. Apart from big development projects, it is possible to envisage an agenda for the board in say, 1985 or 1986.

Tourism may be growing at that time. Fletcher Challenge will still have interests in credit cards and other elements of tourism including construction (someone has to build the hotels). The board could consider a decision to provide more elicit to tourism in the "national interest".

There is, as always, another side to this merger which would blunt the potential for danger. If there is a change of

An expensive industry, that, so why not buy an existing or

organisation after considering a position paper on, say, Lion Breweries?

The new aluminium smelter has a high level of output which should be used in New Zealand in the national interest. Any metal processing companies available? Well, buying out the Australian share of Alex Harvey would be in the "national interest".

That may seem far fetched, but the potential is there, and the apparent philosophy has been stated openly in recent years.

There is, as always, another side to this merger which would blunt the potential for danger. If there is a change of

government in 1981, the way would be open for "every nit-picking socialist" (a term used in a conversation last week) to attack Fletcher Challenge at a time when it was still reorganising.

The second point is the economy's capacity to build up other organisations which could stand alongside the group as true competitors, particularly in ability to tackle projects and raise finance, without meeting it halfway in joint ventures.

Unless that happens, many New Zealand companies are potential pussycats. There are areas where the safeguards in the Commerce Act are inapplicable, because no monopoly situation would arise, although power itself may be monopolistic.

Fletcher Challenge may be the spur for further mergers. Several businessmen late last week were applying themselves to the initial conceptual approach, a point reflected in the sharemarket as prices rose strongly across a wide range of companies.

There are curious matters about this merger. Trotter said

the Examiner of Commercial Practices was approached confidentially about three weeks before the announcement. It takes us back to the beginning of October, a time when the Commerce Commission was arranging party status for a hearing on the Fletcher/Carter Holt affair. Fletcher has withdrawn its takeover proposal.

Fletcher announced a one-off seven cash issue on October 1, which is now withdrawn.

It seems that both these matters were underway at the same time as the Examiner was considering an application from Challenge. Trotter says the proposal had been talked about even earlier.

The merger is planned to be wrapped up by December 31, an interesting date in view of potential on the economy and on the individual New Zealanders.

The Christmas pantomime (NBR October 6) is cancelled, the three wise men have been replaced by another three, and the Wagnerian music will thunder across the land. As someone asked me last week, will it be the "Ride of the Valkyries"?

## Leadership affair may be

THE sharemarket seems to be moving in weekly rists: one week quiet, the next on the boil again.

In the early part of last week there was a strong rise in equity prices, following a static period in the previous week.

The developments in the National Party leadership affair may have given the market new strength, as Prime Minister Rob Muldoon moved to consolidate his position by going back on to the attack, compared with the purr, purr approach apparent after his return to the country.

(This column went to press before the outcome of Thursday's caucus, so the scene may have changed.)

No investment market can stand political uncertainty, but it will react favourably if it thinks the uncertainty has been removed.

The forestry stocks stood out in the early part of the week.

Tasman had its latest run in the previous week, and that spilled over to Challenge and Fletcher, both of which jumped strongly as some sections of the market "anticipated" the big merger, to use a polite, published word.

"Blatant informed trading" is a more accurate expression.

The Brierley result received a mixed reception but it is really a question of what did people expect?

The company had a reasonably attractive cash issue, a generous bonus issue, raised the dividend, and indicated that it would maintain a similar figure next year in real terms. The fact that the bonus shares miss out on the interim payment may have affected some thinking, but Brierley's bonuses have missed the interim payment for about the last two to three years, because they are now made in January.

The market appeared to accept the point in the days following the preliminary result, because it lifted the share price last week after a slight decline earlier.

The political intrigues of recent weeks may have had another beneficial effect on the market, because the promised mini-budget is likely to be an exercise in politics as much as economics. There is nothing unusual in that, since the description "political document" is well entrenched as a term for the formal Budget.

But the deep concern around the countryside on economic development has shown up in various ways, including the latest manoeuvres. It is material whether the Government has failed to "get its message across", or if it actually has a message that the public would want to listen to, because the facts are that the public, right or wrong, is the final court.



"First the good news: because of last year's profits, we will be able to buy a machine that will replace five men."

## Analysing annual accounts: South British Insurance

THE annual report of the South British Insurance Co Ltd is as difficult to understand as the conditions on the back of your average insurance policy. Part of the problem is the company's presentation of financial information, and part is the application of the law, particularly the Companies Accounts (Insurance Companies) Exemption Order 1957, which exempts the group from disclosing any detail on taxation.

The company has two "consolidated revenue accounts": the "short term insurance" and the "long term (life) insurance". The first shows an amount of \$222.1 million in premiums less reinsurance, from which is deducted \$9.4 million as an addition to provision for unexpired risks, leaving \$212.7 million in premiums earned.

Claims incurred (\$156 million) are deducted from premiums earned, commission earned came to \$25.3 million, and "expenses and taxation" were \$40.8 million.

South British wound up with a loss of \$9,410,000 on short term insurance. The life assurance account is straightforward, bringing \$509,000 into profit which is transferred

to the "consolidated earnings statement".

The loss on general insurance, plus the profit on life activities, and \$16.6 million in net income from investments, produced operating earnings of \$7.7 million. That may seem clear until we come to the notes to the accounts and the accompanying text.

Note 10 (alongside "operating earnings") says: "The consolidated earnings statement recognises a future tax benefit of \$6,295,169 which in the opinion of the directors will be realised".

It appears (and NBR can only surmise in the absence of information) that the \$6.3 million has been added back to the amount of \$40.8 million relating to expenses and taxation in the short term insurance revenue account. It would have been useful to see where that sum appears, because the accounts are silent.

Then we come to note 3, which says directors' fees, audit fees, interest, lease expenses, and depreciation were deducted in arriving at the consolidated net earnings for the year. Very informative, if you overlook the fact that note 3 to the accounts has no corresponding reference number in

either the revenue accounts, the earnings statement, or the balance sheets.

And "net earnings" is the figure arrived at after adding in profit on sale of investments and land and buildings, the equity in retained earnings of associated companies, and removing exchange fluctuations (\$2 million) and minority interest in earnings of a subsidiary (\$643,000).

The future tax benefit arises, according to the directors' report, from the application of tax effect accounting.

That, folks, is all you will be told about taxation, owing to the application of the antiquated exemption order.

South British no doubt has the usual excellent "reasons" for invoking this order, as did the freezing companies some years ago. An exemption order is in force for taxation in

freezing companies, but few use it these days.

After arguing the point through most of the 1970s with anyone who dared to question their non-disclosure of tax, the freezing companies started to include the liability in their accounts, and the world goes on, with no apparent erosion of their position in relation to overseas owned meat groups.

But not so the big three listed insurers, which is rather surprising when one examines the top-level boards which include experts on company financial disclosure.

On the statistical side, the company gives a five year summary of various financial items and ratios. It leaves out two ratios which are relevant to the performance of an insurance company: the loss ratio (claims to earned premium income) and the expense ratio

(general expenses to earned premium income).

These can be calculated (73.3 per cent for the loss ratio compared with 63.4 per cent in 1979, and 19.2 per cent for the expenses ratio as against 24.4 per cent in the previous year), but it would be useful to have them in the report on a comparative basis.

In the case of the expense ratio we still lack the information on taxation, and where the tax benefit found a home.

At least we now find out more about the company's reserves. The group distinguished its share premium account and asset revaluation account in the books, which is some progress, particularly as there was a substantial revaluation of land and buildings last year.

The final fault is the common practice of lumping

together results from many countries, without showing the extent of their profitability/loss.

The report says 53 per cent of general insurance business is written in Australia, but "losses increased dramatically across almost the entire spectrum of business". In New Zealand, providing 19 per cent of business written, "we earned a small profit".

In Africa (17 per cent of premium income) South Africa produced "its first underwriting deficit for some time", "our operations in Zimbabwe and Kenya were profitable", and so on through the United Kingdom and North America and South-east Asia and "Far East". The last is a rather old-fashioned term for an area to the north of New Zealand, chaps. Ah well, at least it all complies with the law.

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# Seasonal deficit doesn't account for desparity

THE first three months of the 1980-81 trade year show a deterioration in the balance between export receipts and import payments.

The Department of Statistics last week issued a preliminary summary of exports and imports for the three months to September 1980.

The figures show that the excess of imports over exports in the quarter was \$161.9 million, compared with \$105.9 million in the corresponding period the previous year.

A deficit between the two trade groups is normal at this time of the year, because the export season has not started, but the flow of imports continues at its usual level.

But a 52.9 per cent increase in the deficit between imports and exports in the first quarter of the June 1980 year is hardly a satisfactory outcome for those charged with maintaining economic policies.

When "invisible" figures are added in it seems that the country's balance of payments will show an increased deficit in the September quarter.

The Reserve Bank had yet to release its preliminary summary of transactions for the three months to September when NBR went to press, but they can be expected to confirm the trend shown in the Department of Statistics preliminary trade figures.

The department's news release gave total figures for the period to September, without a breakdown into individual items. The substantial rise in the import bill, in comparison with 1979, is probably due to the rise in oil prices.

Forecasts of the year's payments for oil are now running in the region of \$1300 million, or close to twice the level of the previous year.



Oil... substantial rise in import bill

The department also issues estimates for future import payments, based on a survey of overseas orders placed each month.

The latest information relates to overseas orders and payments for August 1980 and projected private import payments for the year ended February 28 1981.

For the 12 months ended August, private import payments totalled \$4377.2 million, and are projected to rise to \$4716 million in the year to February 1981.

The figures are based on Reserve Bank actual payments plus Department of Statistics projections.

The department says monthly payments for mineral fuels fluctuate considerably, but tables of actual payments on a three monthly basis show the trend.

In the three months to June 1980 we handed over \$262 million for mineral fuels, compared with \$248.5 million in the March period, \$182 million in the three months to December 1979, and \$19.6 million in the September quarter of that year.

While there are seasonal differences in these figures, they can also be examined in relation to the overseas orders placed for oil on the same quarterly basis.

In the three months to June "surveyed firms" (which includes a high proportion of oil orders, but not all of them) placed orders for \$3751 million worth of mineral fuels, compared with \$226.4 million in the March quarter, \$1711 million in the period to December 1979, and \$274 million in the three months to September 1979.

A large part of this expenditure is related to building up stocks within New Zealand, but the relationship between volume of imports, amounts paid, and the value of imports ordered in the respective periods shows a rapid price rise.

When comparisons are made between orders and payments for other categories of industrial and consumer goods, there is a steady relationship in the amounts for each quarter, in both payments made or orders placed.

There is naturally some price inflation in the different classes of goods, but nowhere near the level of that applicable to imports of mineral fuels.

The total payments of surveyed firms in the June quarter were 67.3 per cent of total imports, compared with 69.4 per cent in the previous three months, 65.5 per cent in the December 1979 period and 62.6 per cent for the September 1979 quarter.

The narrow band within which these percentages fall suggests that the projection from surveyed figures to the total import bill, across the different industrial categories is a good guide to what is happening to our trade payments.

It is too early to say whether the price of oil has stabilised, even in the short term, because "oil politics" and "oil economics" have a habit of changing in a short time.

The Iran/Iraq conflict could put pressure on supplies, which in turn could also affect prices. On the other hand, some of the other OPEC countries obviously see it in their own interest to maintain the total world supply, without taking advantage of possible shortages to lift the price.

Whatever happens in the next few months, the latest statistics indicate a continuing sizeable balance of payments deficit for this country in the foreseeable future.

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## Stock Exchange weekly review



Last sale	Week's high	Week's low	Turnover	Last sale	Week's high	Week's low	Turnover	Last sale	Week's high	Week's low	Turnover
150	130	113	11900	263	245	265	9500	242	225	225	0
151	131	114	12000	264	246	266	9600	243	226	226	0
152	132	115	12100	265	247	267	9700	244	227	227	0
153	133	116	12200	266	248	268	9800	245	228	228	0
154	134	117	12300	267	249	269	9900	246	229	229	0
155	135	118	12400	268	250	270	10000	247	230	230	0
156	136	119	12500	269	251	271	10100	248	231	231	0
157	137	120	12600	270	252	272	10200	249	232	232	0
158	138	121	12700	271	253	273	10300	250	233	233	0
159	139	122	12800	272	254	274	10400	251	234	234	0
160	140	123	12900	273	255	275	10500	252	235	235	0
161	141	124	13000	274	256	276	10600	253	236	236	0
162	142	125	13100	275	257	277	10700	254	237	237	0
163	143	126	13200	276	258	278	10800	255	238	238	0
164	144	127	13300	277	259	279	10900	256	239	239	0
165	145	128	13400	278	260	280	11000	257	240	240	0
166	146	129	13500	279	261	281	11100	258	241	241	0
167	147	130	13600	280	262	282	11200	259	242	242	0
168	148	131	13700	281	263	283	11300	260	243	243	0
169	149	132	13800	282	264	284	11400	261	244	244	0
170	150	133	13900	283	265	285	11500	262	245	245	0
171	151	134	14000	284	266	286	11600	263	246	246	0
172	152	135	14100	285	267	287	11700	264	247	247	0
173	153	136	14200	286	268	288	11800	265	248	248	0
174	154	137	14300	287	269	289	11900	266	249	249	0
175	155	138	14400	288	270	290	12000	267	250	250	0
176	156	139	14500	289	271	291	12100	268	251	251	0
177	157	140	14600	290	272	292	12200	269	252	252	0
178	158	141	14700	291	273	293	12300	270	253	253	0
179	159	142	14800	292	274	294	12400	271	254	254	0
180	160	143	14900	293	275	295	12500	272	255	255	0
181	161	144	15000	294	276	296	12600	273	256	256	0
182	162	145	15100	295	277	297	12700	274	257	257	0
183	163	146	15200	296	278	298	12800	275	258	258	0
184	164	147	15300	297	279	299	12900	276	259	259	0
185	165	148	15400	298	280	300	13000	277	260	260	0
186	166	149	15500	299	281	301	13100	278	261	261	0
187	167	150	15600	300	282	302	13200	279	262	262	0
188	168	151	15700	301	283	303	13300	280	263	263	0
189	169	152	15800	302	284	304	13400	281	264	264	0
190	170	153	15900	303	285	305	13500	282	265	265	0
191	171	154	16000	304	286	306	13600	283	266	266	0
192	172	155	16100	305	287	307	13700	284	267	267	0
193	173	156	16200	306	288	308	13800	285	268	268	0
194	174	157	16300	307	289	309	13900	286	269	269	0
195	175	158	16400	308	290	310	14000	287	270	270	0
196	176	159	16500	309	291	311	14100	288	271	271	0
197	177	160	16600	310	292	312	14200	289	272	272	0
198	178	161	16700	311	293	313	14300	290	273	273	0
199	179	162	16800	312	294	314	14400	291	274	274	0
200	180	163	16900	313	295	315	14500	292	275	275	0
201	181	164	17000	314	296	316	14600	293	276	276	0
202	182	165	17100	315	297	317	14700	294	277	277	0
203	183	166	17200	316	298	318	14800	295	278	278	0
204	184	167	17300	317	299	319	14900	296	279	279	0
205	185	168	17400	318	300	320	15000	297	280	280	0
206	186	169	17500	319	301	321	15100	298	281	281	0
207	187	170	17600	320	302	322	15200	299	282	282	0
208	188	171	17700	321	303	323	15300	300	283	283	0
209	189	172	17800	322	304	324	15400	301	284	284	0
210	190	173	17900	323	305	325	15500	302	285	285	0
211	191	174	18000	324	306	326	15600	303	286	286	0
212	192	175	18100	325	307	327	15700	304	287	287	0
213	193	176	18200	326	308	328	15800	305	288	288	0
214	194	177	18300	327	309	329	15900	306	289	289	0
215	195	178	18400	328	310	330	16000	307	290	290	0
216	196	179	18500	329	311	331	16100	308	291	291	0
217	197	180	18600	330	312	332	16200	309	292	292	0
218	198	181	18700	331	313	333	16300	310	293	293	0
219	199	182	18800	332	314	334	16400	311	294	294	0
220	200	183	18900	333	315	335	16500	312	295	295	0
221	201	184	19000	334	316	336	16600	313	296	296	0
222	202	185	19100	335	317	337	16700	314	297	297	0
223	203	186	19200	336	318	338	16800	315	298	298	0
224	204	187	19300	337	319	339	16900	316	299	299	0
225	205	188	19400	338	320	340	17000	317	300	300	0
226	206	189	19500	339	321	341	17100	318	301	301	0
227	207	190	19600	340	322	342	17200	319	302	302	0
228	208	191	19700	341	323	343	17300	320	303	303	0
229	209	192	19800	342	324	344	17400	321	304	304	0
230	210	193	19900	343	325	345	17500	322	305	305	0
231	211	194	20000	344	326	346	17600	323	306	306	0
232	212	195	20100	345	327	347	17700	324	307	307	0
233	213	196	20200	346	328	348	17800	325	308	308	0
234	214	197	20300	347	329	349	17900	326	309	309	0
235	215	198	20400	348	330	350	18000	327	310	310	0
236	216	199	20500	349	331	351	18100	328	311	311	0
237	217	200	20600	350	332	352	18200	329	312	312	0
238	218	201	20700	351	333	353	18300	330	313	313	0
239	219	202	20800	352	334	354	18400	331	314	314	0
240	220	203	20900	353	335	355	18500	332	315	315	0
241	221	204	21000	354	336	356	18600	333	316	316	0
242	222	205	21100	355	337	357	18700	334	317	317	0
243	223	206	21200	356	338	358	18800	335	318	318	0
244	224	207	21300	357	339	359	18900	336	319	319	0
245	225	208	21400	358	340	360	19000	337	320	320	0
246	226	209	21500	359	341	361	19100	338	321	321	0
247	227	210	21600	360	342	362	19200	339	322	322	0
248	228	211	21700	361	343	363	19300	340	323	323	0
249	229	212	21800	362	344	364	19400	341	324	324	0
250	230	213	21900	363	345	365	19500	342	325	325	0
251	231	214	22000	364	346	366	19600	343	326	326	0
252	232	215	22100	365	347	367	19700	344	327	327	0
253	233	216	22200	366	348	368	19800	345	328	328	0
254	234	217	22300	367	349	369	19900	346	329	329	0
255	235	218	22400	368	350	370	20000	347	330	330	0
256	236	219	22500	369	351	371	20100	348	331	331	0
257	237	220	22600	370	352	372	20200	349	332	332	0
258	238	221	22700	371	353	373	20300	350	333	333	0
259	239	222	22800	372	354	374	20400	351	334	334	0
260	240	223	22900	373	355	375	20500	352	335	335	0
261	241	224	23000	374	356	376	20600	353	336	336	0
262	242	225	23100	375	357	377	20700	354	337	337	0
263	243	226	23200	376	358	378	20800	355	338	338	0
264	244	227	23300	377	359	379	20900	356	339	339	0
265	245	228	23400	378	360	380	21000	357	340	340	0
266	246	229	23500	379	361	381	21100	358	341	341	0
267	247	230	23600	380	362	382	21200	359	342	342	0
268	248	231	23700	381	363	383	21300	360	343	343	0
269	249	232	23800	382	364	384	21400	361	344	344	0
270	250	233	23900	383	365	38					



## Computers

## Polywog's primacy challenged by private proposal

by Allan Parker

A "THEM-OR-US" fight over the rights to put educational computers into schools — with the potential prize of multi-million dollar export sales — is developing between Government and private-sector interests.

The row centres around a system developed by Wellington Polytechnic staff that excited the interest of Education Minister Merv Wellington on a recent tour of the institute.

After the tour, Wellington gave orders for hastening the development of the system which incorporates hardware from a variety of sources and is said to be very robust for classroom conditions.

The polytechnic has been

given the go-ahead to prepare a prototype for evaluation. But some computer industry companies are concerned that they will not get an opportunity to put up a proposal of their own for school education.

Three of the companies — IDAPS of Auckland, Marton's Production Engineering (renowned for the development of a microprocessor-based automatic petrol pump) and Wellington's Computer Consultants Ltd — have taken their protests to Wellington personally.

Representatives of the three companies recently had an hour-long meeting with him in his Beehive office. They are anxious to get first go at any private sector involvement in a

computers-for-schools programme.

The consortium was concerned that it might be left out of any project initiated by the Education Department, particularly as other computer companies are being asked if they are interested in being involved in the polytechnic development, code-named "Polywog".

The consortium's approach to the Minister was an attempt to outflank potential competition by taking its case to the top.

The lobbying appears to have kept it in the running. Representatives will meet with senior Education Department officials on Thursday.

Under the consortium's proposal, IDAPS would be re-

sponsible for development of the software involved in setting up a computer system in schools.

Production Engineering has obvious experience in successful microprocessor-based manufacturing.

CCL, while basically a software-oriented company, would handle international marketing and distribution.

The riches to be won include the local market, reckoned by one source to be worth tens of millions of dollars if the project incorporates industrial re-training programmes. Internationally, educational computer business is already huge — and growing rapidly.

The market for educational software in the United States

will be worth about \$600 million in 1982.

A source within one of the group admitted: "We felt that a consortium of local companies would carry more weight (with the Minister)."

The source also commented that "it is important for local industry to work together rather than compete against each other".

The consortium has put the support-private-enterprise factor before Wellington.

"This is a big chance for the Government to let a big contract to the private sector for development of a public sector project. It's an opportunity to show that they support export industries."

The companies have been

keen to impress on the politicians that the Education Department should "get their priorities right first".

They say the Polywog system is basically hardware-based at this stage. What needs to come first, they insist, is an appreciation of what is required for the education system — what programs are required and so on.

The hardware to be used, then look after itself. Our source said: "Polywog this stage is just another box."

"We're not against the re-orientation of the wheel but what needs to be done is for them to decide what they (the Education Department) want to do with these devices in the schools. No-one has defined that yet."

IDAPS already claims to start in the field. Staff have done considerable research on computer-based education systems.

The company is known to have discussed past projects with the Education Department for well over a year, and, at one stage, presented a pilot scheme proposal involving some 20 schools.

That proposal was shelved. The first indication that the company had of renewed interest was a press report describing Polywog and the Minister's enthusiasm for it.

Clotting the issue further was the Development Finance Corporation's involvement.

Through its Applied Technology Programme, the corporation is involved in helping to fund the commercialisation of public-sector inventions such as Polywog.

DFC staff have asked a number of companies if they are interested in becoming involved in any commercial development of Polywog. But IDAPS and Production Engineering were among the companies approached.

The response from other companies has been "positive" but the DFC believes there is still a degree of scepticism in the marketplace about whether polytechnic staff have the resources to produce an adequate system.

This is one of the reasons for seeking private sector involvement in the Polywog project.

A DFC spokesman said: "At the end of the line we see a product being available that the education system can buy. But it will have to sit alongside other private sector products and compete on its merits."

The consortium's move is going to the political centre of the debate is to ensure that its member-companies are in the private sector — interests involved.

Meanwhile, the competition is hotting up for access to schools. This week the United States-owned Control Data is showing off its Plato educational system through a live demonstration.

A number of Government departments, including Education, are interested in the recent T-series "The Mighty" which was first touted in New Zealand over a year ago. Marking it did not lead to a contract.

Now, with official renewed, Data Control is on the trail again, and is offering a system that includes industrial training as well as school education systems.

October 27, 1980

October 27, 1980

National Business Review

## Media

Page 17

## Brochure links companies in information retrieval

by Rae Mazengarb

DEVELOPMENTS in the information retrieval business are still being kept closely under wraps by the groups involved.

Details of the systems to be used and personnel involved in the projects are being kept secret because there are "various people we don't want to embarrass", said one source.

Wellington-based Newstel News Agency Ltd remains cagey about suggested links to an Auckland company, Telpac Systems Ltd.

In Auckland, Telpac chairman Bruce Grierson is unwilling to mention the names of those involved with his business. But he talked about a "team" in Auckland, Wellington, "and various other places".

National Business Review attempted to untangle the web of company links a few weeks

ago but found people unwilling to talk about their businesses.

It is not clear if Newstel and Telpac — a fully owned subsidiary of Commercial and Educational Information Bureau Limited of Auckland — are working in concert. But material published some weeks ago, indicates that the two groups were planning a joint venture.

What appears to be an early brochure on the Newstel service identifies Telpac System Ltd as the organisation "which will be marketing the Newstel service".

Newstel, according to the brochure, is "a new concept in news and current information brought right to your desk".

The service, it says, is a "revolutionary concept". Unlike the conventional public news media, it gives clients as much detail, explanation, and interpretation as requested.

"You do not have to be content with what the public news media provides to satisfy the average interest of some mass audience."

Retrieval is achieved through the desk-top information receiver, Apple II Plus, according to the paper.

Approximate cost was \$6200 if purchased by the subscriber or approximately \$42 a week if leased.

The video system was connected to the public telephone system by a standard NZPO modem, according to the paper.

The subscription to the Newstel News and Current Information Service would be \$340 for six months, which included the necessary software, it said. There were a variety of casual and contractual arrangements available to clients,

other professionals who will bring depth, sophistication and authority to the service."

The brochure suggested the hardware configuration recommended by Telpac was: Apple II Plus 48K microcomputer fitted with disk drive and video monitor.

Approximate cost was \$6200 if purchased by the subscriber or approximately \$42 a week if leased.

The video system was connected to the public telephone system by a standard NZPO modem, according to the paper.

The subscription to the Newstel News and Current Information Service would be \$340 for six months, which included the necessary software, it said. There were a variety of casual and contractual arrangements available to clients,

depending on their individual needs.

A seven-page demonstration bulletin dated August 11 1980, followed the service brochure.

Two further pages on behalf of Telpac detailed advertising time and space formula, price schedule for the "Top 100 Captains of Industry", and the Newstel special business and current affairs service.

The "Top 100" service, it was explained, was highly specialised and aimed specifically at the decision-makers in business, commerce, administration and the professions. "Colour advertising, phone prompting and special graphics illustration, as part of advertising copy will only be available to advertising clients after a three month involvement on the Telpac system — established favoured clients only."

Promotions and advertising controller was listed as Mervyn Lawler.

Asked to explain the document, Grierson said the other day: "It sounds like an early draft". He declined to elaborate.

Asked about the equipment, he said it was an "assembly" of different makes. The group was linking existing equipment but using "new techniques". "We're applying Kiwi ingenuity," Grierson said.

Asked to name the people in the "experienced journalistic team," he declined, but said, "I can tell you they are crack journalists".

Newstel's Peter Acland is also keeping a low profile. His only comment on the brochure was that it sounded "fascinating", but he declined to elaborate.

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## The International Award Winner. Now available in New Zealand.

Steinlager in the distinctive green bottle is a truly international beer. From New York to Tokyo, From Los Angeles to Melbourne. Now available in New Zealand. A truly superb beer.



Steinlager. Winner of 'Les Amis du Vin' Awards 1977 1978 1979 1980 Washington, DC

## From legendary Talbot comes The new spirit of the open road!

The balance was superb. With my foot down I could feel the front wheels pulling us through. Positive steering. Driving acceleration. There are, I believe, only a few drivers who would really appreciate a car like this. To me driving is a valued freedom. It is a love to which the new Talbot Alpine responds. The new Talbot Alpine is a different style of car from the dull average. It needs a different kind of driver."

The looks of the new Talbot are clean and functional yet there's more than a touch of European elegance. It is a practical family-sized hatchback that drives as though it was bred at Le Mans. You need all the modern words to describe the new Talbot Alpine GLS. Efficiency. Technology. Torque. Precision. In addition there is the built in performance values of the legendary Talbot marque.

From Talbot, the new spirit of motoring, comes the new Alpine — the spirit of the open road. At your Todd Dealer now.

**TALBOT ALPINE**

EQUIPMENT INCLUDES: Electronic light on. Rack and pinion steering. Independent suspension. Power assisted front disc brakes. Hatchback versatility. Fold down rear seat. Load adjustable headlamps. Electric hatch release. Full performance style instrumentation including no less than 10 watchdog warning lights. Digital clock. Front and rear inertia seat belts. Heated rear window plus electric wash/wipe. Rear fog lamps. Plus, naturally, stereo-radio cassette player.



# MEET



## New Zealand's Authoritative Weekly Newspaper

On 6 November a unique New Zealand publishing event takes place. The first issue of a new, quality tabloid newspaper, *The Nation*, will be on sale at newsagents and dairies. *The Nation* will be the best researched and planned new publication to hit the New Zealand market for many years.

### A top-line editorial team



**Ian Fraser**  
New Zealand's best-known and most incisive TV interviewer, known from "Dateline Monday" and his current "Newsmaker" series, but also a satirist, theatre and arts reviewer and musician. Ian Fraser has a solid background in radio and TV current affairs and the arts.



**Warren Mayo**  
For 12 years a nationally-known commentator on TV, radio, broadcasting and the media, - and known for a sharp pen. Familiar to readers of the Christchurch Star and the Dominion, Warren Mayo has had a long experience in newspaper journalism.



**Julian O'Brien**  
The man who knows his way round trade, agriculture and industrial affairs, with experience in newspaper and radio journalism. Formerly on industrial roundman, he has recently been Radio New Zealand's trade expert, spelling it out regularly on "Morning Report".



**Glynn Green**  
A writer with equal insight into personalities and political issues. A former metropolitan journalist with a penchant for personality profiles, she comes to *The Nation* straight from her office in the Parliamentary press gallery.

### What The Nation will deliver:

The Nation will help readers understand the thoughts and attitudes that shape a nation's actions - so that today's news stories will illuminate tomorrow's events.

The Nation will answer two key questions for its readers: "What's going on in New Zealand and the World?" and "Why is it happening?"

The Nation will offer up-to-the-minute news, comment and opinion from New Zealand's top journalists, columnists and cartoonists.

The Nation will contain major international stories from the best writers of *The New York Times*, *Christian Science Monitor*, *Asian Wall Street Journal*, and *Britain's Financial Weekly*.

Special features on Travel, Leisure, Fashion, Sports, Movies, Books, People, Eating and Drinking - and Politics, will round off a quality newspaper produced for concerned and discerning New Zealanders.

### An exciting, new, quality consumer-profile for advertisers

In August 1980 a major Haylen study looked at *The Nation's* target market - the top 25% of New Zealand households. A feature of the survey was the presentation to the sample of a complete, printed, 36 page mock-up issue of *The Nation*, along with a detailed questionnaire.

From the Haylen survey a clear profile emerged of prospects for *The Nation*:

Target Potential	Household incomes \$15,000 +
Average Prospects	46% "likely" to buy <i>The Nation</i>
Income \$21,837	
Spending Patterns	High levels of discretionary income

### Prospects are low listeners to radio and low viewers of television

This profile is good news for advertisers and their agencies. It presents an opportunity to reach, in a single publication, a quality target group with high discretionary income. What's more, their low attention levels to electronic media have made this important group difficult to reach with cost-effectiveness. *The Nation* will meet this need.



### Want to know more? Ask Pat.

Pat Broekie has full details on the Haylen profile. *The Nation* offers spot and process colour for quality advertising to reach a quality market. Telephone Pat Broekie, Wellington 721-114, after hours 736-428.

Pat Broekie, Advertising Manager, *The Nation*

### For a free copy of *The Nation*, post this coupon now

**THE NATION**  
P.O. Box 808, Wellington.  
☐ Please send me further information on *The Nation's* advertising rates and consumer profile.

☐ Please send me a complimentary copy of *The Nation*.

Name: \_\_\_\_\_

Address: \_\_\_\_\_



**You'll need to read it**

Published by International Publications Ltd, 81 Harris Street, Wellington.  
P.O. Box 808, Telephone 721-114

## Admark

# Looking at ads inside-out through consumer's eye

by Grev Wigge

ARE millions of dollars wasted in advertising?

Is it time to jettison copy strategies such as positioning, image and the unique selling proposition?

Does advertising research provide the basis for creating effective advertising?

There are some of the questions raised in a challenging monograph entitled *A Consumer's Byview of Advertising* and written by account director Barry Manley for his agency Mackay King.

It sets out to describe his company's method of tackling the creative task but in the process attempts to dent, if not demolish, some long-held and cherished advertising theories.

He claims that marketing research does not go far enough into the role of advertising in the marketing mix and that advertising research is more concerned with content and format than the substance of advertising.

The marketers approach to advertising relies on traditional theories.

The academic theories propounded by psychologists and sociologists, such as those relating to congruity and dissonance, may well be relevant to deep social attitudes but do not apply to the trivial considerations involved in making purchasing decisions for everyday products.

Agency theories such as the unique selling proposition, added values, positioning and brand image carry the danger of manufacturer-orientated advertising resulting in over-selling and over-claiming. All can be right in particular situations but can not be rigidly applied to each and every product or campaign.

"Traditional theories are too introspective," the paper states, "concerned more with the

manufacturer or with their own disciplines than with real live consumers. Their approach is to look at what advertising does to the consumer."

There is no point in looking for an overall theory, argues Manley, because advertisements work in different ways.

His answer is that the newer theories, deriving directly from facts about the consumers - how they behave, make decisions and what they do with advertising - provide a better basis for the way we should go about creating advertising.

Consumers generally use ads, respond to them, in these ways: with direct response - "Just what I'm looking for"; to seek information - filling in a coupon; to relate to needs - "what a good idea"; to recall satisfaction - "that reminds me"; in modifying attitudes - looking at old products in a new light; and in reinforcing attitudes - the "I knew I was right" response.

Simply put, it isn't so important to know what advertising does to people as what people do to advertising.

"Soundvertising planning and advertising creation is about defining the desired response from the consumer to the advertising."

"Only a series of the right questions in any research programme can precisely define how consumers should respond and suggest the kind of advertising which will produce the desired response."

The creators of advertising need to understand the consumer's relationship with the product and its rivals, how the consumer behaves when shopping for a particular brand and how brands are differentiated.

"Advertising can stimulate rational responses and a whole range of emotional response plus a range of social, cultural

and psychological responses relevant to the product category. "When you know what the required responses should be, you know how to make more effective advertising and to understand the actual dynamics of the communication process."

To tilt at the accepted conventions by which the creative process is primed or stimulated is not only a courageous but a useful thing to do.

At worst, it forces those who

defend their articles of faith to re-examine and justify the reasons for their beliefs.

At best, it may lead to new thought paths or new start-points on thinking creatively.

Although there is no press-button formula for instantaneous creative response there are various techniques which can serve to trigger the thought process.

What Manley and Mackay King have done is to place a fresh emphasis on looking in-

side-out through the consumer's mind and eyes and that is an important and perhaps neglected attitude. At the same time they have challenged the universal, as compared with the selected, application of established theories.

But Manley must also remember that challenge and assertion are not substantiation. Many of the "theories" he attacks are well argued and documented. And although he discards them in part, he is re-

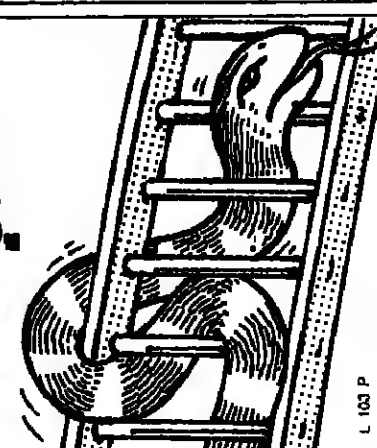
placing them with still another theory but without supportive evidence.

If he and the agency want not only to exhort but to persuade, then future editions of this paper must provide case-book evidence that will add authority and conviction to the premises advanced.

If we are about to throw out the bathwater, the new squeaky-clean baby must contain Plunkett standards in all respects.

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Because Adler offer the best from beginning to end. The best range, the best of German technology and the best back up service. All of which applies to the entire range of Adler office equipment including the superb new single element "golf-ball" machines.

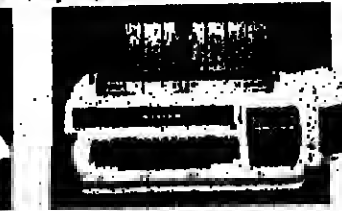
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In 1930, Hallenstein's, then a multi-branch clothing chain, gave its advertising account to J.W. It has remained there ever since.

The jubilee was marked by functions for the joint boards who were both meeting in Dunedin at the time, and for the staffs of the two companies.

Hallenstein's chairman, Ted Friedlander, said that he was proud of the long term associations his company has with many of the companies with which it does business.



John Inglis Wright... no reason for complacency

comes to account changes. These make the headlines while enduring relationships tend to be unremarked.

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# Polyurethane, wide wheel skates roll in new craze

by Lindsey Dawson

WHEN kids ask Mum and Dad for a set of wheels these days they're not talking about cars, but roller skates.

The skating boom has hit New Zealand again and for anyone who was smart enough to get into the business at the right time, the profits are rolling in.

Those involved hope the craze won't be as short-lived as the skateboard boom which was largely confined to adolescent boys. Roller fever is a family thing with both sexes from pre-schoolers up taking an interest.

It all began, of course, in the United States. Roller skates have been around for years and most adults will have memories of strap-on metal skates clattering noisily along suburban pavements.

Polyurethane is behind the

new roller revolution. The new wide wheels are smooth and springy to ride on and the noise has been reduced to a smooth hum.

But all-weather venues for mass skating are few and far between. There are only three full-sized rinks in Auckland, at Mt Wellington, New Lynn and Mangere with possibilities of a new one on the North Shore.

The roller boom has meant a business bonanza for the biggest one, 2700 square metre Skateland rink at Mt Wellington, run by the Mt Wellington Roller Skating Club.

Manager Barry McDonnell is coping with up to 600 skaters at weekend sessions and is hiring new staff to handle the hordes.

Three thousand skaters a week are attending public sessions which take up only 24 hours of the week, and membership at club sessions is in-



creasing rapidly. The club has bookings months ahead for school parties.

Skateland's turnover has gone up 350 per cent in the last 18 months. The burgeoning profits are being ploughed back into improvements, including a carpeted lounge with viewing

windows onto the rink with its 80 metre speed track. The club has installed electronic games such as Space Invaders.

In keeping with trends overseas, the new rinks make skating a pleasant pastime in comfortable surroundings. Discipline is strict. No

hooliganism or anti-social behaviour is tolerated. It's a far cry from the seedy image roller rinks had in the old days.

American business people have been fast to capitalise on the possibilities offered by the skating phenomenon.

A new glossy magazine, *Roller Skating*, is packed with ads featuring every imaginable roller accessory — from boot-shaped carry bags, protective gear, sleek skating clothes and even skating whistles so that skaters can warn hapless pedestrians that they're about to be howled over.

The American teenagers are mad on roller disco — but McDonnell is reluctant to get into the disco scene at Mt Wellington.

He said: "Disco has a bad name in New Zealand — it's quite different from the States. We don't want to attract the wrong type of people."

Skateboarding parks are being invaded by roller skaters too. South Auckland's Skatopia is seeing five times more skaters than it did early this year, and it has also diversified into bicycle motocross.

The growth of skating mania is good news for two young Aucklanders who saw it coming, Andrew Donald and Mark Sandman, who run the Chica Motorhard Company.

They moved into the business two years ago at the winding down of the skateboard craze.

Modern polyurethane roller-skates were the coming thing, they were convinced, but had a hard job convincing buyers that skates would sell initially.

Sales started slowly, but by May this year the kids were taking to skating in earnest, and the August holidays were a boom. And now the Christmas orders are rolling in.

Chica is in an unprepossessing, but tightly secure building marked by a tiny sign — an intentional ploy for security purposes. Roller skates are a very marketable item.

The firm has to work hard to market the locally-made product.

According to a rink operator the kids prefer American skates and few parents travelling to the States return without a pair in their luggage.

Imported Taiwanese skates are also on the market at \$85 or so — much less than the \$120 comparable Chica skates go for.

The difference is mainly in the boots attached to the wheels.

"We could import footwear from Taiwan at \$6 instead of paying \$20 for New Zealand boots. But we prefer to buy locally because the quality is

very much better," Donald said.

"The Taiwanese footwear is totally inferior. It's the only thing that falls apart as fast as anything we like to support in industry."

"Indirectly our firm probably supports about 30 jobs, and we believe we're making good products at a price 10 per cent relative to New Zealand," Donald said.

Chica, which makes a wide range of skates and accessories is one of five manufacturers the skate-making business, two more groups are well considering entering the market.

The industry hopes the boom has a way to go. Skating is being promoted as a fitness aid overseas, and exertion without the pain involved in jogging. Ice hockey is up and coming. There are 40 teams in Auckland alone.

Donald and Sandman are strongly right though, but say they will keep a close eye on trends within the possible future development.

"In most cases his judgment has proven right."

Events since the Commerce Commission over-ruled Monaghan's decision on the L.D. Nathans-McKenzie takeover were beginning to show he was right in refusing to give his consent, the colleague suggested.

Something of "in old Greek scholar", Monaghan has an historian's ability to see what has passed and what is likely to evolve in the local and overseas markets, according to one observer.

But he remains very much a private and thoroughly modest man, in spite of the series of high-powered jobs he has held in a long career which includes wide diplomatic experience.

Born in 1917 in Otago, the son of a minister, Monaghan moved around the country during his youth.

He attended Canterbury University College, as it was then called, gaining a masters degree in Latin, and would have completed an English degree if he had joined the army in September 1939.

He served in the NZEF until 1945, when he moved to the War History Branch where he was the official archivist for seven years. He was responsible for the general compilation of war records.

He spent two years in the Cabinet Office before moving to the Trade and Industry Department.

Attached to the industries division for the eight years, he became engaged in the preliminary negotiations that resulted in the drafting of the Nafta agreement.

As a time when relationships between New Zealand and Australian manufacturers appear somewhat strained — though he confesses to having some doubts about how far the agreement has progressed — Monaghan is unwilling to make assessments on Nafta these days.

He was trade commissioner in Canberra at the time of Nafta's signing in 1980. Two years later he went to London,

by Rae Mazengarb  
QUIETLY spoken, Allan Monaghan looks more like a retired colonel than a commercial watchdog.

He describes himself as a "fairly run of the mill" public servant, but concedes that because he has the status of an independent statutory officer, he is virtually his own master, subject neither to the pressures of the Trade and Industry Department, nor those of the political machine.

His "boss" — if he has one — is the Commerce Act.

As the Examiner of Commercial Practices since 1977, Monaghan has never been a publicity seeker. He has never volunteered a public statement during the time he has been in office.

That does not mean he is not prepared to take a strong stand on issues. "I don't shrink from making a decision," he insists.

In an age of mergers and takeovers — and the examiner sees only the biggest — it is rarely that Monaghan refers a proposal to the Commerce Commission.

Those who work with him say he has a remarkable ability to evaluate people and the business community, and as one colleague volunteered:

"In most cases his judgment has proven right."

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He was trade commissioner in Canberra at the time of Nafta's signing in 1980. Two years later he went to London,

followed by a stint in Tokyo between 1972 and 1976.

Then he took on the job as the examiner, a position created just two years earlier.

It's an important job, Monaghan agrees, but he has done important jobs before. He used to be responsible for all our trade with Eastern Europe.

One person who has worked with him said Monaghan had proved a most "suited" examiner.

Perhaps it's a reflection of his diplomatic experience, but Monaghan was not the type of person who could be "pressurised by the emerging corporate strategists", he said.

One business "strategist" who has often dealt with Monaghan describes him as "quick and practical in his approach".

He is open-minded, an important trait which makes company representatives approach him willingly on the subject of takeovers, to gauge his feelings before a proposal is formally submitted.

He is seen as a "hnevolent over-ruled", the businessman said. But he has a genuine interest in promoting competition.

Monaghan describes his role strictly in terms of fulfilling the functions laid down under parts II and III of the Commerce Act. "When I look at a merger or takeover, the criteria are laid down... there is no way I could exercise personal preference," he says.

Does he see his role as effective?

"Partly." The purpose of the Act is to encourage the development of industry by encouraging competition. While it is possible to set conditions, "you can lead a horse to water, but you can't make it drink".

He admits that there are plenty of areas where there is not much competition. "It's a slow business".

"In some ways the legislation is not as strict on the business community as in other countries," Monaghan says.

Some practices which may be approved here are forbidden in other countries unless they can be positively justified.

His comments are guarded. Monaghan initiated the Visa inquiry, the major examinable trade practice case last year. The Commerce Commission endorsed his findings, but the Government decided only to maintain a watching brief on the subject.

Monaghan is quick to point out that he does not have any "personal" attitudes to business practices, monopolies, mergers or other like subjects. "I'm not allowed to."

But he does encourage the business community to come to him before they "break issues publicly". "I have established a personal way of operating," he says, explaining that he has no power to compel them to approach him.

He rationalises that an "open door policy" saves time.

The examiner holds the views spelt out in the department's annual report to Parliament. The report for the year ended March 1980, noted the substantial increase in the number of merger and takeover



Allan Monaghan — a "benevolent over-ruled"

proposals compared with previous years. Those of greatest significance were large companies seeking to expand their interest and strengthen their competitive position.

The report noted a new and significant factor which Monaghan says the Commerce Act does not yet provide for — conglomerates. Conglomerate activities spread through un-

related fields of business activity.

"The need for them, and the extent that they may assist or hinder the development of industry is a matter which will require careful examination in the future," the report said.

Says Monaghan: "I merely pointed out that this is a fact of business — companies are expanding by taking over other companies, sometimes in the same areas, but sometimes in quite different areas."

It has become a business reality, he says, that companies can grow either by expanding exports or taking over other companies.

The party being taken over is not necessarily unwilling, and when he looks into a takeover situation, he looks at who actually initiated it.

He sees no reversal of the trend. Philosophically, he says businesses are replaced, but there are "new units coming all the time".

Most mergers and takeovers he deals with are routine; others raise important issues. He cites the Broadlands-Challenge case. "Some (people) were surprised I sent it to the Commerce Commission."

With two years to go before he retires, Monaghan says the experience has been interesting. "I feel I've done a reasonable job," he says.

He says that, after some 12 years of travelling, he is not keen to do any more; rather he wants to pick up on investigating the things he worked on in the War History Branch. And he looks forward to golf and fishing.

"I'm not likely to die of boredom."

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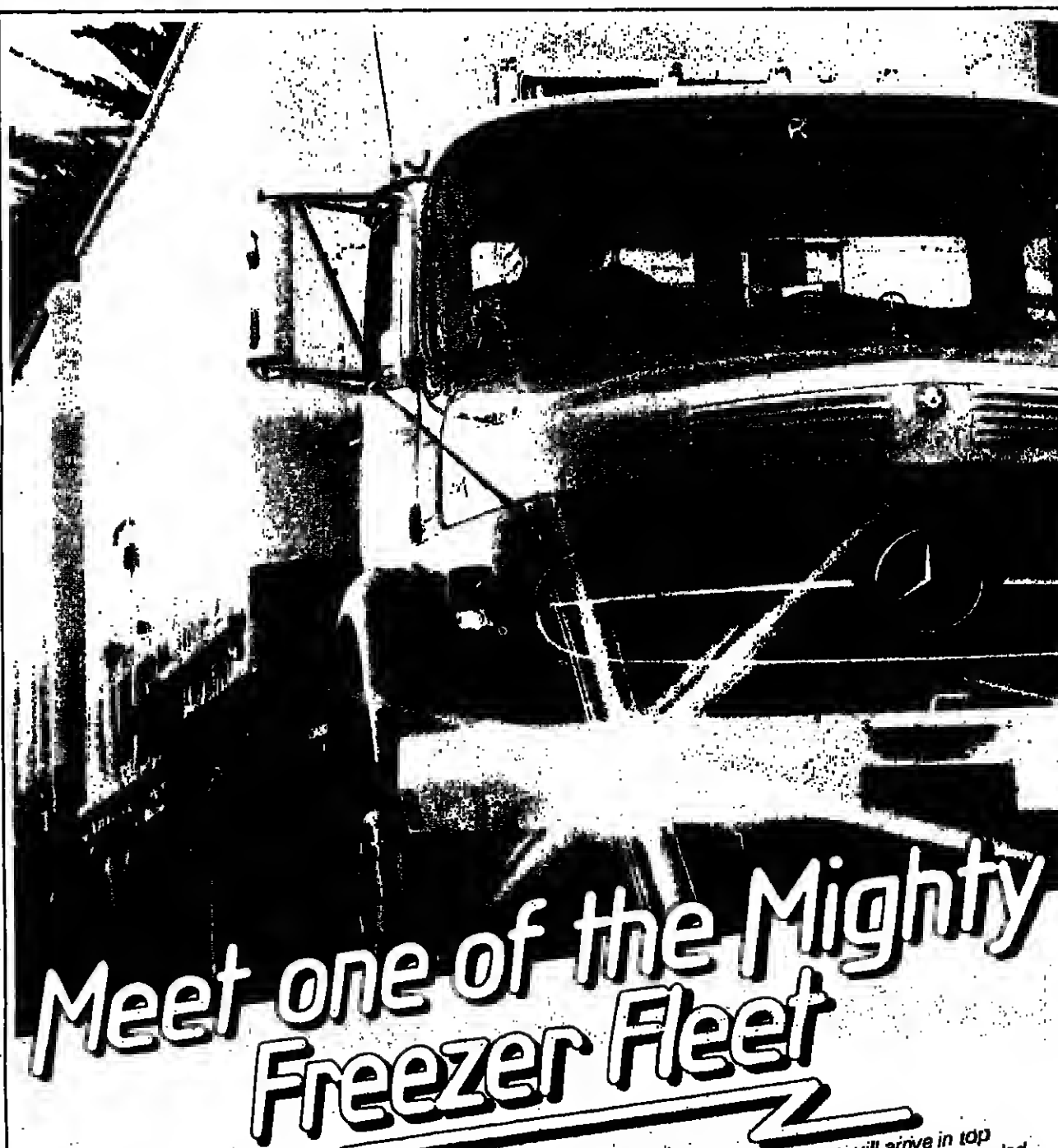
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## Cashing in on chips creates employment debate

by John Sloan

THE harsh realities of new technology prompted the recent stoppages organised by the Insurance Workers Union. The union sponsored a series of newspaper advertisements and a professional, glossy brochure to promote its side of the argument.

The union's approach is clever: Pose a series of leading, disturbing questions and give an equally disturbing reply. What riles the employers is that many of the disturbing replies are based on facts rather than opinions.

The unions have selected quotations from leading figures in the insurance industry to bolster their case. The union's brochure, *Pressure on People* quotes New Zealand Manager for National Mutual, Gil Hoskins as saying: "By implementing the system we have

cut down, effectively, from 43 people doing the typist and associated clerical work, to a figure of about 28. That represents a 35 per cent drop in the numbers of people employed in this area. So that's one factor.

"I think it's better because it's more efficient. It gives us the capacity to increase volumes without necessarily increasing staff. It's better in the sense that technological change is to my mind making the cost of machinery cheaper than the cost of employing human beings.

"I think that comes out loud and clear."

The union does not quote an item that appeared in the *Past* magazine and insurance Monitor: "The introduction of new technology should not cause large scale unemployment according to a British Department of Employment study

group report called *Manpower Implications of Micro-electronic Technology*.

"The report emphasises that the failure to exploit the new technology would have more serious consequences for employment and the economy than its application... The creation of new products and services will raise employment prospects... Successful adaptation to new technology depends on a flexible labour force and co-operation between workers and management."

The insurance industry is under conflicting, perennial pressures which threaten its very survival. These were recently identified by a British investment research team, whose conclusions are equally applicable here:

- Over-capacity, resulting in increasing competition because of lack of opportunities

in other fields in a dull worldwide economic climate;

- The increasing effect of inflation on claims settlements;
- Rising operation costs;
- Persistent under-insurance;

- Little practical experience in relatively new lines, such as product liability and medical malpractice.

Not surprisingly, the symposium at the 1980 Annual Conference of the Insurance Institute was devoted to the impact of new technology. Tony Tate of IBM New Zealand Limited, commented:

"Confronted with a high cost structure and a small domestic market, New Zealand industry already faces enormous competitive pressures in local and overseas markets. Failure to introduce new technology will only lead to a further erosion of

competitiveness and loss of jobs. Put simply, more jobs are at risk by failing to introduce new and innovative technology than by grasping the nettle and ensuring that we keep abreast of technological innovation.

"There is no evidence that administrative/clerical unemployment has increased significantly as a percentage of the total unemployed in the last four years. Also, as a group, it does not represent a significant percentage of the unemployed. Labour Department studies show that technological change appears to be a very minor cause of redundancy. In addition, the data processing industry is estimated to have created approximately 10,000 jobs in New Zealand in the last 10 years."

Lionel Laing, president of the Insurance Industry Industrial Union of Employers and local manager of Yorkshire-Generals, takes the view that technological change has always been with us, but the development of the silicon chip has occurred faster than our capacity to adjust psychologically.

Laing believes the unions are taking a short-sighted view and are likely to jeopardise the interests of employees if they inhibit the introduction of cost-saving innovation.

In the past the insurance field was a labour-intensive white-collar industry. It has always

embraced opportunities to reduce the drudgery of painstaking manual systems, offering greater job satisfaction to employees and at the same time increasing service to policyholders.

It cannot be denied, says Laing, that some jobs may disappear — the routine and boring jobs — but experience has shown that the faster work is processed the more staff is required to handle input and dissemination.

Laing says there should be less play made of the jobs that will go, and more emphasis on the retraining of staff for new positions created.

General Secretary of the Insurance Workers Union, Graeme Ogilvie, told *NBR* that the union was not taking an anti-technology stand.

"Our Campaign for Employment showed quite clearly that rationalisation and technology in the industry had already had a marked effect on employment. We have seen more than 100 redundancies every year, often with devastating effects on the worker and their family. Other workers have kept their job but lost their promotion opportunities.

"Our campaign asks for more than your opponents suggest. We seek this co-operation with employers and we agree that these long term benefits should include more leisure and richer lives."



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## GG assumes new significance in troubled times

by Jack Hodder

THE installation of a new Governor-General next week has a political and constitutional significance which is probably greater than at any time in our short history of self government. There is a growing awareness that the office which Sir David Beattie assumes is not purely ceremonial and that its powers are not limited to the declaration of lost holidays for school children.

The office's significance was illustrated in the most dramatic form possible with the sacking of Gough Whitlam's government by Sir John Kerr. Closer to home, the 1977 appointment of a former leader and then current Cabinet member of the National Government linked the office with controversy.

The appointment of Sir David Beattie, a highly respected judge of the Supreme Court, has provoked no such controversy. But his assumption of office coincides with the development of two situations which have already produced close analysis of the powers of that office:

- The prospect of a 1981 General Election in which Social Credit electoral progress denies either of the older parties a clear majority in Parliament;
- The growth of the band of public figures converted to the need for constitutional safeguards.

The scope of the powers of the Governor-General is not widely known. In some areas it remains a matter of academic controversy. But some of the dustier chapters of the law give an indication of those powers.

The New Zealand Constitution Act, a United Kingdom statute of 1852:

- Establishes a General Assembly to consist of the Governor (read "Governor-General") and the House of Representatives;
- Empowers the General Assembly to make laws having effect in, or in respect of, New Zealand;
- States that the General Assembly shall be held at such time and place as the Governor (by Proclamation) appoints;
- Empowers the Governor to prorogue or dissolve the General Assembly at his pleasure;
- Makes it unlawful for the House of Representatives to pass any Bill requiring an appropriation of public monies without the prior recommendation of the Governor;
- Entitles the Governor to transmit drafts of laws which appear to him desirable to the House;
- States that the Governor has discretion as to whether he assents to, amends and sends back to the House, or refuses to assent to any Bill passed by the House (until a Bill is assented to it cannot become law).

In May 1917 "Letters Patent passed under the Great Seal of the United Kingdom" (wielded by H.M. King George V) constituted the office of "Governor-General and Commander-in-Chief in and over Our Dominion of New Zealand" (the office had previously been "Governor and Commander-in-Chief").

The Letters Patent contain the power for the Governor-General to appoint persons as members of the Executive Council (Cabinet), but subject to any law enacted by the

Legislature (the Civil List Act which limits the field to members of the House of Representatives).

Those very wide powers, together with the wide powers of appointment and regulation-making given to the Governor-General under a great many New Zealand statutes, are qualified by an instruction given by King George V contemporaneous with his Letters Patent.

The instruction reads: "In the execution of the powers and authorities vested in him, the Governor-General shall be guided by the advice of the Executive Council, but if in any case he shall see sufficient cause to dissent from the opinion of the said Council, he may act in the exercise of his said powers and authorities in opposition to the opinion of the Council, reporting the matter to us

without delay, with the reasons for his so acting."

Governors-General (or is it Governor-Generals?) have regarded themselves as under the "strongest possible obligation" to act upon the advice of Ministers and, in New Zealand, have invariably done so. Thus Bills passed by the House of Representatives have not been rejected or returned for amendment.

The opening of Parliament has been determined by Cabinet (and announced by the Prime Minister). And the hundreds of regulations and statutory appointments bearing the gubernatorial signature are not original inventions but have been wheeled up by the various government departments through the Minister.

The two situations mentioned earlier — no clear majority in Parliament and demand for constitutional safeguards — are both discussed in an excellent essay by Professor Quentin-Baxter in a recent issue of the *Victoria University of Wellington Law Review*.

He deals with the first in a very short space: "It is not the function of the Governor-General to form a view about the relative merit of possible contenders. His task is the more humble one of finding the true successor, by ascertaining the will of Parliament. Where no party has a majority, it will be the normal course for party leaders to conduct their own discussions until a coalition identifies itself and its leader."

He concludes his essay by setting out five draft resolutions, one of which would be of fundamental significance: "If the Governor-General is of the opinion that a course of action, proposed by the Government and opposed by segments of public and parliamentary

written constitution to take root in New Zealand (as advocated by a variety of both respectable and improbable public figures), he raises the possibility that a re-definition of the Governor-General's discretionary powers is a more readily attainable way of providing a check on unconstitutional executive action.

What Professor Quentin-Baxter specifically proposes is the passage of resolutions of the House of Representatives (with the prior approval of the Sovereign) setting out the re-defined conventions to cover the exercise of the Governor-General's powers.

Such a change would provide a dramatic improvement on the present constitutional position and vet avoid the many pitfalls inherent in the various notions of bills of rights and written constitutions thus far floated. Such a change also implies appointments to the office of Governor-General of the highest calibre. The Beattie appointment provides no obstacle.

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# What Ogilvy & Mather told us about direct mail advertising

## Case Study Number One

We asked Ogilvy & Mather (New Zealand) Limited to tell us about one of their recent Direct Mail campaigns. We requested a Case Study from this advertising agency (the local branch of an international agency who have made use of Direct Mail to sell products ranging from one-dollar packets of seed to seven-hundred-and-fifty-thousand-dollar jet aircraft) because Direct Mail is an advertising medium where experience and specialist skills can make the difference between moderate results and excellent results.

### When to Use Direct Mail:

Ogilvy & Mather handles the Monsanto Chemicals account. The key brand is a superin herbicide—Roundup. The product is safe and very effective against most weeds. As such it is ideal for use in market gardens.

### The Marketing Situation:

After extensive trials the product was approved for application by the Agricultural Chemicals Board at a lower application rate; which meant a correspondingly significant drop in the cost of application. Monsanto needed to alert market gardeners to the change and firmly point out the new competitive cost per hectare.

### The Target Market:

Market gardeners in the Pukekohe area. (Ogilvy & Mather research indicated that this group accounts for approximately 70% of the vegetable production in New Zealand; the growers number 190 in the district and they work 2,450 hectares of land.)

### Media Options:

With a low budget and a precise target audience all other media had to be excluded as being cost-inefficient and wasteful.



Local press was an option but a circulation of 31,000 meant high wastage. Direct Mail made it possible to reach 177 of the 100 market gardeners by personally addressed Direct Mail, a guaranteed reach of 93% at a quarter of the cost of the next best media option.

### The Results:

The Monsanto sales force and the product's local distributors reported substantial awareness of the new cost effectiveness of Roundup. Sales results were noticeably increased.

### Direct Mail: Where to Begin

Perhaps the best advice we can give you is to consult experts... Direct Mail companies or your advertising agency. Expert help can make all the difference. However, no matter who is responsible for developing a Direct Mail campaign, there are certain factors you need to consider. We touched on some of them above; we've dealt with those in depth, and examined many others in similar detail, in a FREE booklet we've prepared on Direct Mail. Our booklet, A USER'S GUIDE TO DIRECT MAIL, touches on the most important steps, giving general advice and considering specific problems. It won't replace specialist help, but it outlines the

main features of Direct Mail (both the advantages and the pitfalls). For a FREE copy of the booklet simply fill out the coupon below (or write on your letterhead for a copy) and place in an envelope addressed to: Freepost No. 1 Marketing Manager PO Box 23 Wellington

NO STAMP IS REQUIRED—SIMPLY INCLUDE THE ABOVE FREPOST NUMBER AND ADDRESS ON YOUR ENVELOPE.



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Please send your FREE booklet on DIRECT MAIL to:

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TITLE \_\_\_\_\_

COMPANY \_\_\_\_\_

ADDRESS \_\_\_\_\_



## Art

# Modern's master nonchalant about millions

by Lindsey Dawson

DEFINITION of a wealthy man—one who owns some \$20 million worth of paintings and says he's not interested in them from the investment point of view.

Baron Hans Heinrich Thyssen-Bornemisza says he collects art because he enjoys it. He does not buy in "a speculative way."

Such nonchalance is breathtaking. But when you are chairman of the supervisory board of a business empire turning over some 2.5 billion Dutch guilders a year, mere millions possibly assume lesser importance.

The baron talks in guilders because his business is based in Holland and the Dutch Antilles for tax purposes. The Dutch are kind to foreign companies, deciding to tax them again after they've already been taxed in their countries of origin.

Part of the baron's art collection is on show at the Auckland City Art Gallery. Some 60,000 Wellingtonians have already seen it. Christchurch art lovers are next on the list.

There are 108 paintings in the exhibition, "America and Europe: A Century of Modern Masters". It's not often that New Zealanders have the opportunity to see the likes of Van Gogh, Cezanne, Monet and Degas. The baron has more at home—that is, one of his homes—in Lugano, close to the Swiss-Italian border.

He offered to send the exhibition to Australia and New Zealand when a Thyssen-built ship was launched for the New Zealand trade. The collection is travelling the country under heavy security, travelling in three aircraft to minimise the chances of catastrophe.

He was in Auckland for the opening of the exhibition there on October 8, having promised to attend at least one of the three functions.

Rumours have been voiced that the sending of the art collection was in some way connected with investment in the new Dunedin aluminium smelter. The baron denies any interest in the project. The Thyssen empire's only interest in New Zealand is a "small" Wanganui company making farm equipment, an offshoot of the Dutch Zweegee company.

"We've just enlarged the company here and it's going quite well. Most of its output is being exported to Australia." Apart from some ship-building that was about all he was interested in, he said. He replied "not at all" when asked if he was involved in the Dunedin smelter development.

It is hard for him to get away from it all. From the state suite in the Intercontinental Hotel he could look down on the container terminal and pick out the shipping containers belonging to a Thyssen-owned container leasing company in the United States.

About 50 per cent of his group's activities are in America, in companies dealing with packaging, glass manufacturing, car parts, pumps and information handling systems.

In Germany and Holland Thyssen activities include shipbuilding, other port operations, gas distribution, and agricultural machinery.

The baron inherited the business on his father's death in 1947. There is another brother who is a geophysicist. Much of his father's industries lay in ruins in post-war Europe. The



Baron Thyssen... "not at all" involved in smelter development

building up of the empire must rank as one of the world's great industrial success stories. The baron admits to being proud of the achievement. The early years, he says, were "rather difficult."

He is a polite, rather stern man, with a weary smile and a soft voice which frequently tails off to little more than a whisper.

He shakes his head when asked about the unpopular image that multinational corporations such as his have acquired, and the fears that people have about the influence and power they wield. "I don't feel that I run any part of the world at all", he says.

"In my case the business is very diversified. The companies making up the group are much too small to have any kind of influence at all."

Commenting on world trends, he seems as uncertain of the future as anyone else. Arab fanaticism and their religious wars are worrying him, although he does not believe that anyone will "start throwing atom bombs".

He said he hoped the present recession would not deepen. "There are some signs in the States that it's picking up a little bit. I doubt that it will pick up

very strongly but I think that 1981 will be an improvement on 1980."

He feels a new situation would arise as many countries, like New Zealand, try to become independent in the energy field. "We might get a situation in the future where the Arabs are left with oil that nobody wants." For this reason he said the Arabs were investing heavily in alternatives to oil. The baron's previous wife, the former Fiona Campbell-Walters, was born in New Zealand.

His wife and daughter also came to the exhibition opening. He has three sons, aged 30, 17 and six. The eldest is working in the business.

It's "a beautiful country", he said, and he would like to come on holiday again. But as for doing more business here? A useful shrug. "It's a very small market."

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## Slicing the cake to leave more than just crumbs

by Bob Stott

THE conflict between private enterprise and State involvement in transport might be solved simply by allowing private operators more participation in the Government-run portion of the industry.

The business of actually operating transport and its administration, is not easily shared. Highly specialised skills are required and central control is pretty well essential.

But in the field of ancillary services, there seems to be wide scope for more involvement by the private sector.

At a time when big business is seen to be getting bigger at the expense of small enterprises, farming out work by State enterprises would be specially suitable for very small undertakings — even one-man operations.

State transport undertakings do farm out some work — painting contracts, building jobs and so on come up for tender all the time. Some jobs which have traditionally been done by departments are now let out on public contract . . . others, once done outside are not any more — just to confuse the issue.

Years ago, railways refreshment rooms were leased out. Today the NZR runs them.

Years ago, NZR staff cleaned locomotives. Today locomotive cleaning contracts are let to private enterprise.

Taking everything into account, a job being done by a small firm tends to be done more efficiently than by people working for a large undertaking, whether that undertaking is Government or private in ownership. Efficiency in this sense seems to be related to size, rather than private or public ownership.

Most jobs which require skills already available could be

offered to private enterprise, preferably in small contracts, with checks to ensure that a few firms could not grab all the work and end up with lifetime careers. If this did happen possession of a sheaf of Government contracts, renewable automatically every year could lead to a situation about as equitable as that surrounding possession of an import licence.

An obvious example is to make more use of owner-drivers for pick-up and delivery services. Some State transport does use owner-drivers but more use could be made. As Labour's Roger Douglas suggested in his alternative railways policy, Railways might be able to sell off trucks to staff, so that their drivers of today would be set up as owner-drivers. With such an owner-driver system firmly established, they could gradually move to an open tendering situation for future work.

Could Air New Zealand hand over all its ticket-selling activities to travel agents? Does the airline need to maintain down-town ticket-selling offices in cities replete with travel agents? More would be paid out in commissions but how much would be saved in overheads? (For that matter should the Government Tourist Bureau sell tickets?)

In *Time for Change*, Railways Manager Trevor Hayward speaking of track maintenance (26 per cent of operating expenditure) said that continued investment in labour-effective, track maintenance machines and "prudent use of contract forces" would be the main features in this important area.

Why shouldn't a fair amount of track maintenance work be carried out under contract?



Trevor Hayward . . . prudent use of contract forces



Roger Douglas . . . sell off trucks to staff

When the rail ferries started service, they were run by the Union Steam Ship Co for the Railways. Whether NZR runs them any better than the Union Company did is perhaps not as interesting as the point that the present "free enterprise" Government (to my know-

ledge) has made no moves to hand this job back to private enterprise.

encourage moves in this direction? Should it?

Moves toward letting free enterprise invade the ranks of the State services would be sure to provoke resistance from the state unions. But the change could be gradual. The State sector might welcome a chance to do their own thing. The end result would be that the State transport unions would be smaller but the membership would comprise skilled people — with skills specific to their particular branch of transport.

When such a process has been completed, and the State transport organisations have handed over almost everything which does not require special skills or other qualities, would the user of transport be any better off?

Such a development is an alternative to wholesale deregulation and deserves consideration.

People are rightly concerned at the high percentage of resources absorbed by the State. In transport this concern tends to surface in cries to regulate transport and let the enterprise have a larger slice of the cake. But deregulation may bring a waste of resources and higher transport costs.

The private sector could get a larger share of the transport industry, and the least risk of doing this would be for the State to remain in overall control, but work with private enterprise in some sort of partnership.

It might be no better than what we have, but it could be a good deal better than what we might finish up with.

## In the long haul business, the Ford D series deal turns up trumps

An endorsement of endurance from Fred Snowden, General Manager New Zealand Express Company, Wanganui.

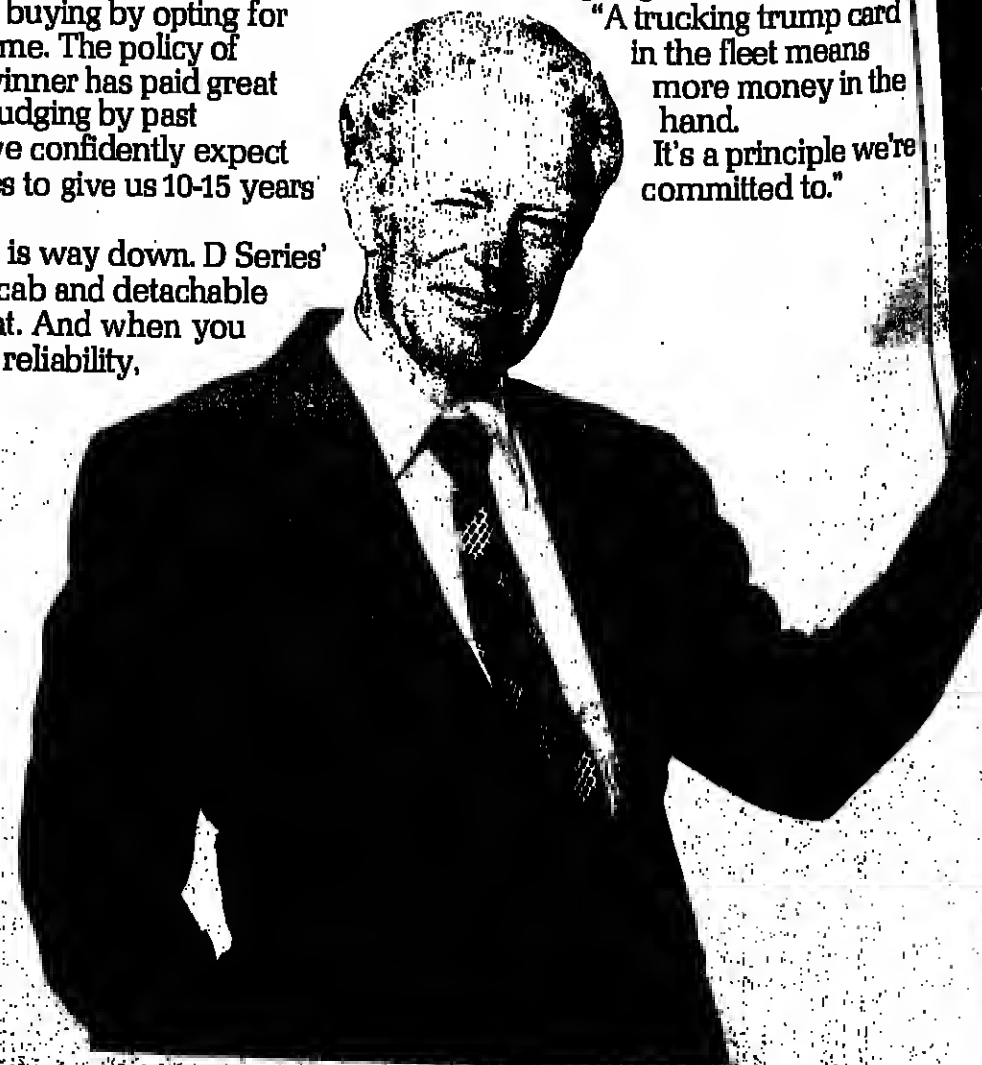
"The kind of terrain my trucks work in proves their worth pretty quickly. I soon know if I've made the right buy after a couple of gruelling treks over the Paraparas to Auckland. You soon get to know how the newcomer fancies the pace. The maintenance bills tell anyway."

"We've long since taken the gamble out of new truck buying by opting for Ford D's every time. The policy of sticking with a winner has paid great dividends, and, judging by past performances, we confidently expect the latest D Series to give us 10-15 years' good service."

"Downtime is way down. D Series' easy access, tilt cab and detachable panels see to that. And when you add the proven reliability, additional fuel

savings of over 6% and the best cab interior in the business, it's easy to see why D Series comes up trumps everytime."

"And let's face it, a driver who's happy with his working environment is going to do a better job. A trucking trump card in the fleet means more money in the hand. It's a principle we're committed to."



## Putting heat on the Canadians — instantly

by Lindsey Dawson

A NEW factory in East Tamaki, Auckland, will keep many Canadians warm this northern winter. Recently opened, Robinson Industries plant, is producing an initial order of 50,000 American-developed quartz electric heaters under licence, and has high hopes of exporting to Australia and Asia.

The heater is the brainchild of former aerospace engineer Konrad Boekamp, of San Diego, who set himself up in business in a 2000 square foot factory two years ago. Today his plant covers 105,000 square feet and output in the coming year is expected to be worth \$40 million.

Noel Robinson, whose firm also makes a range of small home appliances and Planhorse International products — modular systems for paper

storage, access and display saw a Macy's ad for the heater when he was passing through Los Angeles early this year.

He went into the store and was so impressed that he phoned San Diego. Unfortunately the Kiwi accent can be misunderstood in America and the resulting mis-spelling meant that Boekamp was unable to get in touch again.

Boekamp was due to take off for Australia to have a look at manufacturing facilities there. His own plant was working at full capacity and demand was such that he needed more manufacturing capability.

Boekamp arrived at Los Angeles International to find that he needed a visa to enter Australia and couldn't board his plane.

Result: Much frustration and one fired travel agent. "However, when I returned from San Diego a letter arrived from

Noel in New Zealand. I was able to change my travel plans and was so impressed with what I found in New Zealand that I had to say to my Australian contacts that it was just a waste of time looking at Australian factories. I'd made up my mind."

The first New Zealand-made heaters have arrived in Canada, and Boekamp is impressed with the quality.

Most of the electrical components for the heaters designed for Canada are imported, because they have to meet Canadian Standards Association guidelines. But most parts for the production line which is turning out heaters for sale here, are made locally.

Quartz heaters are not new, but Boekamp's is the first vertical, free-standing, room heater on the market, as opposed to wall-mounted, horizontal models. They produce

infra-red heat which warms the objects before them rather than the air.

Boekamp calls it the Quartz Energy Saver Heater. It can be run at either 750W or 1500W. "It uses as much electricity as any other 1500W heater, but produces almost instant heat. You don't have to wait to get warm."

Quartz heaters were first developed in World War II to provide some warmth for cold soldiers huddling in concrete bunkers along the Maginot Line, where smoke from a pot-belly stove would have been a giveaway.

Boekamp became interested in them when he built a new room onto his San Diego home without enlarging his central heating system. The room was too cold for comfort on chilly winter nights, and he bought a quartz heater on a visit to Germany. It was so successful

that it became a talking point with dinner guests, and prompted Boekamp to work on development of the heater as a hobby.

He was then the manager of quality assurance for General Dynamics and worked on test programmes for projects as diverse as the DC-10 fuselage, Project Mercury, the Atlas and Centaur rockets, the F-11 fighter bomber and nuclear submarines.

He was with General Dynamics for almost 20 years — boom times for the aerospace industry. "It was a challenging time. I worked pretty hard and I enjoyed it". But the firm wanted him to move away from San Diego, and he wanted to stay put. When the crunch came, he decided to resign and develop his hobby into a business.

It took \$100,000 of his own money to get the business going. "Nobody was willing to risk venture capital on a new product". His friends and some of his relations thought he was crazy.

He had seen a big decline in the aerospace industry however, and although General Dynamics is now on the way up again it is not what it once was.

In 1959 when Boekamp joined the company, the Convair division had 55,000 employees. By 1974 it was down to 6500. "I was one of the very few lucky ones. I moved up in the company as it went down."

Boekamp began importing German-made quartz heaters in 1972, but had problems with quality, durability and life expectancy and encountered American consumer resistance to wall-mounted heaters.

He was competing with alternative forms of cheap energy, but the Arab oil price

hikes of 1973 helped to boost sales, when Americans found they couldn't afford whole-house heating systems.

He decided that a vertical, portable heater would sell best. He then had to develop vertical quartz tubes — a different technology from the horizontal type.

Quartz tubes are round tubes of fused quartz made from silica. The tube is filled with a special heating element. It runs at very high temperatures, getting as much as possible out of the infra-red spectrum while at the same time providing maximum life. The tubes are very fragile and expensive, but a special guard is designed to protect them from breakage. Life cycle tests run at 9000 hours.

He left General Dynamics in 1974, and continued to develop his heaters. After two years he had three models on the market, cleared by the American Underwriters' Laboratories.

He leased his first industrial space in May 1978, and hired his first employee the next month. Now he has 550 workers turning out 6000 units a day, six days a week.

The new Robinson Industries plant in Auckland represents an investment of well over \$500,000. The 15,000 square foot factory employs about 50 people.

Much of the expense in setting up the plant has gone into sophisticated machinery. Tooling and dies have been made by Robinson Industries' own toolmakers and \$100,000 worth of tooling has been exported for use in the Boekamp plant in San Diego.

Boekamp came to Auckland for the official opening of the Robinson factory and to attend trade launches of the heater.

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## Marketing

## Pacific promotion pays off for top tour operators

by Allan Parker

AMBITIOUS and rapid international expansion by top tour operator Newman's Tours Ltd is on the brink of paying handsome dividends for the New Zealand operation.

In just over a year, Newman's opened offices in Australia, Japan and the United States in a major marketing drive aimed at capturing a greater share of the growing Pacific Basin tourist traffic.

Eighteen months later, that forward planning is now in position to take advantage of increased awareness of New Zealand as a tourist destination, particularly in Japan and the United States.

The company, says chief Tom Newman, is also operating in-bound traffic into Australia from the other destinations. In fact, Australian-based tours attract three times more traffic from Japan than New Zealand.

But the new Tokyo-Auckland link is beginning to show results and Newman reports that forward bookings from Japan are "way up on last year".

During the international expansion, the Australian base went straight into profit. The other two centres have been slower: the Los Angeles office is not yet paying its way. But, says Newman, the company did not expect the American operation to produce immediate results. Rather, he expected a two to three year build-up period.

Marketing in the American market has been two-pronged. The more traditional coach tours and "special interest" group tours — an avenue which would appear to offer New Zealand scope for further marketing drives.

These special interest groups comprise groups with a common interest or expertise who are interested in a holiday in the sun, with a chance to talk and shop — a sort of busman's holiday for the wealthy.

Newman's sell the tours through travel agents of tour wholesalers in the United States. They tend to be direct-sell and the rewards can be good. For example, Newman's have handled tours from groups such as orchardists and horticulturalists. They club together to get discount rates and throw in a few pre-arranged visits to areas of interest associated with their work.

While none of the promoters are particularly anxious to advertise the tax-deductibility of these tours, that aspect is proving of considerable interest to such groups and clearly offers scope for increased New Zealand marketing.

Certainly, says Newman, there has been increased American interest in the South Pacific as a holiday destination is growing, particularly as Europe has become such a high-priced holiday venue.

The gearing-up of its marketing operation in the Pacific Basin centres indicates a belief in long-term tourist growth by Newman's. Already Newman's forecasting significant growth, he says income from all overseas sources will grow by 25 per cent to about \$20 million this year.

## Luxury liner ups anchor for seminar cruise

by Gordon McLauchlan

A STYLISH mixture of business and pleasure will take place on the Pacific Ocean next month when a group of high commercial velocity Australian businesspeople join a special at-sea seminar on "the role of business in the modern world".

The seminar is being backed by Melbourne radio talk station 3AK and P and O Cruises aboard the "love boat" — the luxury cruise ship Sea Princess.

The businesspeople will be on a normal 14-night South Pacific cruise out of Sydney (from November 6) visiting Brisbane, Noumea, Vila, Santo, Suva and Lautoka and will have social meetings with local businesspeople at some of the ports on the way.

Spouses are invited on what must be the richest tax-free convention of the year.

The four men who will conduct the seminar are:

• Russell Prowse, former assistant general manager of the Bank of New South Wales, who will discuss: banking in Australia, monetary policy, the use of banking services by individuals and businesses, and the impact of changes on Australia's role in a changing world, with emphasis on Asia.

• Trevor Sykes, deputy editor of *The Bulletin* and the "Pierpoint" columnist, who will discuss the role of the financial press in business, news values and public relations.

• Merv Lincoln, senior lecturer in business administration at the University of Melbourne, who will look at the financial trends of the 1980s, pricing policies, management of working capital,

capital investment, take-overs and acquisitions.

• David Maxwell, deputy general manager of TCN9, Sydney, who will look at the role of television and radio in business and how they can best be used.

The fare for the cerebral binge is \$A2801 each for a twin cabin on a share basis with \$381 extra if you want sole use of a cabin. The fare covers just about every need — all seminar lectures, including prepared lecture notes, meals, a stocked refrigerator in the cabin (or special bar credit when there is no refrigerator in the cabins, which have full private facilities), shore excursions at each stop and, if you live in Melbourne, a first-class air fare to Sydney and back to catch the ship.

P and O is now looking at the prospect of putting together a couple of seminars or conventions out of New Zealand during cruises next year. The cruise boom round the world holds up better than almost any other form of tourism.

Cruise lines are flying higher than airlines right now and it is as much the special interest group as anything else boosting the attraction. Passengers out of New Zealand last year jumped by 49 per cent over 1978, and the past winter has been a boomer with revenue in July 76 per cent ahead of the figures for the same period in 1979.

Sea Princess gets a lot of rub-off glamour from the television *Love Boat* series, filmed aboard P and O sister ships, Pacific Princess and Island Princess. And 20th Century Fox is looking at scripts for a couple of *Love Boat* episodes to be shot on a South

Pacific cruise, aboard Sea Princess, early next year with story-lines involving Australia and perhaps New Zealand and other South Pacific destinations.

Plans are for two two-hour specials from the Sea Princess. The shooting will be during normal two-week cruises. The cruises will besold as *Love Boat* specials because passengers have to be warned that parts of the ship will be inaccessible on occasions during the cruise, and because they might even become "extras".

If the experiences with the Princess are any guide, Australians and New Zealanders will flock to book cabins on the Sea Princess *Love Boat* cruises.

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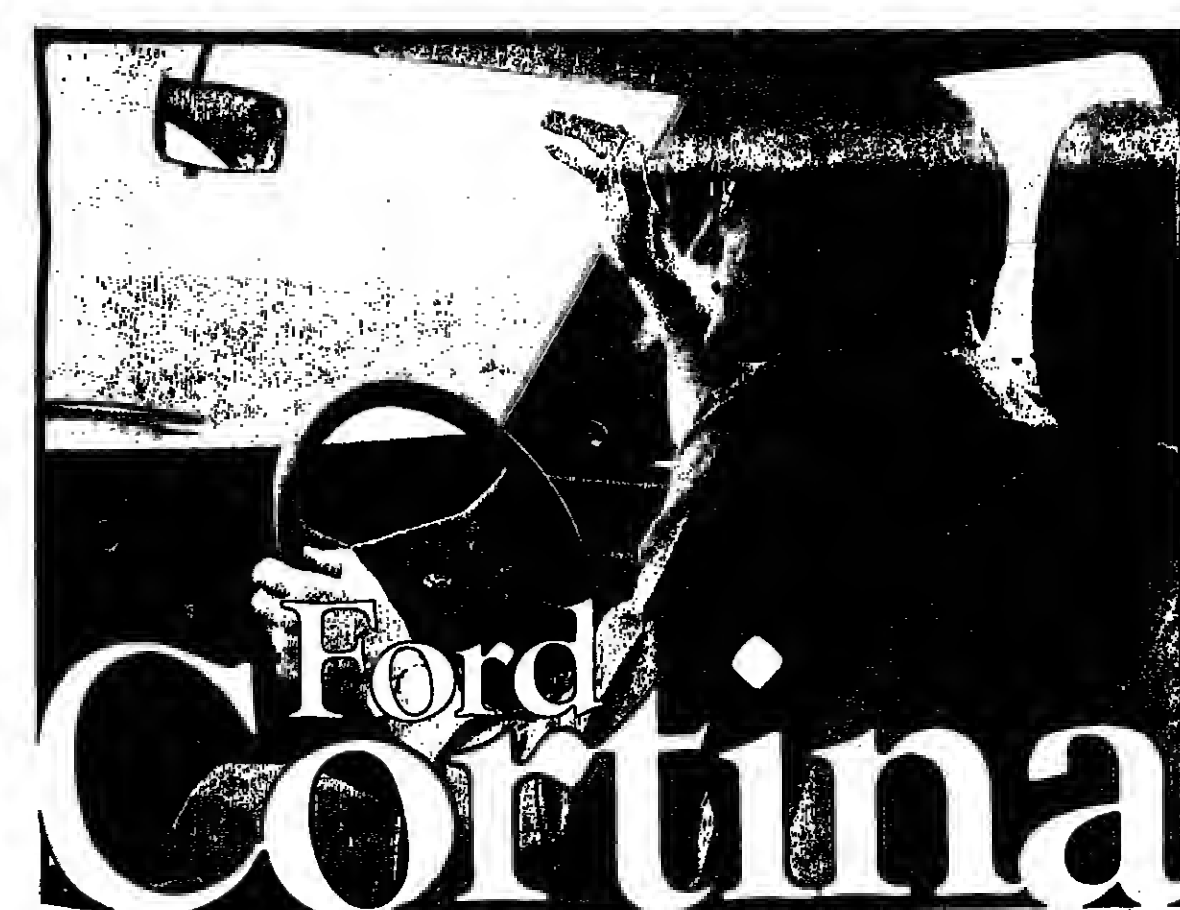
Wrap-around front and rear indicators (with rippled self-cleaning glass) that can be seen by front and side traffic, and new wrap-around bumper end caps (plus extra wide body mouldings on GL and Ghia) are practical evidence of New Cortina's safety programme.

Inside, safety features include see-through head restraints, padded fascia, shock absorbing steering column and a totally revised ventilation system that provides a complete change of air every 30 seconds at 80 km/hour. Central dashboard vents supply refreshing cool air while the side eyeball vents can be used to supply either cold or warm air for clearing steamed side windows.

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When you take a look at New European Cortina — there are more than just good looks!

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\*Cortina Ghia (as illustrated) has removable sunroof. Radio and full time exterior mirror optional accessories.

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## Science and technology

## Optic fibres offer key to future communication

by Elaine Williams of  
the Financial Times

THE telecommunications industry is on the threshold of a revolution made possible by hair-thin strands of glass called optic fibres, which eventually will replace the increasingly costly copper cables on which telephone systems are based.

Each tiny strand of optic fibre is made up of two different types of glass. This ensures that when light is projected down one end of the fibre, none of it escapes through the walls and almost all the light appears at the other end. Even if the fibre is bent into a loop, light will travel down the fibre in apparent defiance of the law that light travels only in straight lines.

In reality, the light bounces its way down the inside of the glass.

Single strands are gathered

into bundles to make a cable, and a steel rod is built into the cable to give it strength. Although the complete cable is far smaller than a conventional copper cable it can carry an enormous volume of telephone calls and other types of telecommunications signal such as telex, television and computer data.

Information, which is carried in the form of coded digital pulses, is superimposed on to the light signal which travels down the glass. The light itself is generated by a miniature laser or by a light emitting diode (LED). At the end of its journey the light signal is decoded into its component parts.

Optic fibres — a British invention — have advantages over conventional links that extend beyond size and operational capacity. They are immune to electrical noise or interference



Cable... carries telephone and other signals

generated by outside sources. If an optic fibre cable is buried in the road it will not be affected by ordinary cables lying beside it. Conventional cables, on the other hand, have to be carefully screened from their neighbours.

Optic fibres can also carry signals much further than copper cables before the signal needs to be electronically boosted. This reduces the cost of installing repeaters — as

telephone amplifiers are called — in ducts under the road.

The British Post Office has been encouraging manufacturers to move ahead with the development of practical systems even though it will be several years before it becomes a major user of optic fibres. Even so, it has spent several million pounds installing systems within the existing telecommunications network to gain the practical experience.

Major manufacturers that have provided equipment for such systems are Plessey, BICC, the General Electric Company (GEC) and Standard Telephones and Cables (STC). All have trial systems operating.

Plessey last year installed a link between Slough and Maidenhead in southern England. Many more are planned.

The industry does not expect to make substantial profits on fibre optics until later in the decade, but when growth does occur it is likely to be fast. By 1987 some market analysts expect the market value to exceed £60 million, with applications in telecommunications accounting for the largest share.

The British Post Office became interested in the possibilities of optic fibres soon after two scientists working at the Standard Telecommunications Laboratories presented a paper on the subject in 1966. The Post Office worked closely with the laboratories and with Sheffield University to find suitable sources of glass materials and to look at the practical requirements of optic fibre telecommunications systems.

By the end of 1977 several of the major British manufacturers had demonstrated optic fibre equipment in working situations and the Post Office had tested its own system. This included a 6 km link between its research centre at Martlesham and Kesgrave in eastern England, and a 13 km cable between Martlesham and Ipswich.

In 1977, STC inaugurated its own link between its laboratories in Hitchin and Stevenage to the north of London. GEC's experiment was carried out between Uxbridge and Ruislip along a 7 km route in west London. Plessey's 14 km link was between Maidenhead and Slough.

The next step from these experimental systems was to install production systems so that industry could gain further experience in the manufacture and installation of both the cable and the equipment. This would also allow the Post Office to gain operational experience of the new transmission medium.

The Post Office selected 18 possible routes for proprietary systems and invited tenders for these routes. Each tender was assessed against a variety of criteria, including the important one: that the optical fibre system should not cost significantly more than the conventional equipment it was designed to replace.

Eventually 15 routes were chosen and in April 1979 the Post Office placed orders for a total of 34 systems for these routes. The total length of the routes is 450 km, and the total cable length 3600 km.

The longest route to be installed by GEC and completed by 1982, will run 74 km westward from London to Reading. The second longest is a 61 km cable from Basildon to Colchester in eastern England, to be completed by STC in 1982.

In addition to inland routes some work is being carried out on submarine cables. Early this year the cable ship Monarch laid a 9 km loop of cable made by STC at Inveraray in western Scotland. This trial is specially important to STC because it is a major exporter of submarine cables.

But optic fibres have uses other than in telecommunications. In the security field, Pilkington has been involved with the development of fencing that has optic fibres woven into it. Each section of fencing carries a fibre with its own identification signal. If the fence is damaged the breaking of the fibre eliminates one of the signals to identify the location of the break.

There are other applications in medicine. For example, fibre optics allow doctors to view organs inside the patient. The fibre carries the light to illuminate the stomach while another transmits the images.

The X-ray and other electronic equipment used in hospitals generates high levels of electrical interference, and patient monitoring systems and record-keeping computers need to be protected. Optic fibres are being considered in this context because of their immunity to electrical noise.

Pilkington specialises in industrial applications and is a commercial unit that manufactures complete systems to engineer. The company has decided to look at communications at factories and offices because they are seen as important growth areas in the next years.

Chemical and manufacturing plant present problems of high voltages and high electrical noise levels and danger from explosive and corrosive gases. Further automation of process control in factories will remove workers from such dangerous environments, but will create a growing need for reliable communication between man and automatic machinery. Optic fibres are likely to provide a solution to this problem.

In 1978 the communications needs of a major British oil refinery were assessed in this connection, and at the same time CERN, the European nuclear research organisation, investigated possible applications.

According to STC, there are many applications in the relatively new field of hydroscopy. One application of interest to STC was a communications system to provide television and data links for robot submarines that were subject to electrical interference from the umbilical cables used to control the machine.

The electricity generation industry is expected to be a major user. Many substations have telemetry and control communications systems that are in close proximity to conductors carrying thousands of volts with large potential ground differences. It is possible that in a typical substation, the heavy multi-pair copper cables linking the transformer and the switching points to a central control could be replaced by optic fibres.

In 1978 it was estimated that nearly 70 per cent of optic fibre installations were for telephone networks, 10 per cent for computer antenna and closed circuit television systems, 10 per cent for military applications, 3 per cent for data links, 3 per cent for industrial applications, and 3 per cent for power stations.

The optic fibre has been described as one of the most exciting inventions of recent times. It has generated interest worldwide, and clearly its development has barely begun.

## Science and technology

## Effects and encroachment spelt out to PO staff

by Rae Mazengarb

THE Post Office Union has taken the initiative in helping its 38,000 members assess the likely impact of their working environment.

With the co-operation of the NZPO, the union has completed a report which — while not a definitive documentation of the new technologies — is intended to help union members understand something of the challenges of the future.

The report does not detail how many people are likely to be affected by developments because — as it is pointed out — the subject of technology is so "fluid".

"Because of the extent and the pace of technological changes it is very difficult to produce a clear or stable picture of the overall effect on NZPO employees," the report says.

But it suggests there is an urgent need for Government and all sectors of the community to come to grips with the "encroachment" of new technology into their lives.

"... it is disconcerting to note that very little research has been undertaken on the likely effects of the all-embracing microprocessor and other advanced technologies on the workforce and economy," the report says.

The report was called for at the union's conference last year.

Terms of reference were:

- To identify as far as possible the nature and extent of the technological changes likely to be introduced into the Post Office during the next five years;

- To assess the effects of these changes on the various sections of union membership;

- To assess the likely effects on future patterns of demand for Post Office services;

- To establish the policies and attitudes of the union toward these changes.

The five-year period was seen as the maximum, realistic time span on which reasonable predictions could be made. But, it was noted that more futuristic plans could be brought forward by unpredictable political or technological developments.

For example, during the study the Communications Advisory Council solicited submissions concerning the proposed introduction of a videat-type service.

The report notes that the Post Office itself had been told such a service would not be necessary for 10 years, but strong lobbying by private-sector interests prompted a change in the Government's thinking.

The report details the pace of technological change on the world scene, relying on research done by PTTI, the international trade union organisation to which the union is affiliated.

It points out that while the country cannot afford to ignore technological developments, two major questions should be examined in terms of the benefits:

- Will there be jobs for the people who are replaced by machines?

- Who will benefit from the increased productivity and national growth?

"The effect of new technology on New Zealand will depend on how it is introduced,

by whom, and how it is used," the report states.

It outlines potential developments in the tolls, telegraph and international telecommunications service area — as advised by the NZPO — and comments that most of the proposals will involve "a serious downturn in future staff numbers".

The effects of computerisation and new technologies in the savings bank area will be considerable and initial effects could be felt during the 1980s, the union says.

In the postal service area, the increased charges and the private sector entry into the more profitable postal services "already impose a serious threat on the retention of job opportunities".

The introduction of electronic mail services is likely to have a major influence on the future structure of postal staffing. The NZPO is already clo-

sely monitoring overseas developments.

Proposed developments in the clerical area are viewed by the union as representing "a serious erosion of traditional work".

In the engineering fields, the union suggests that advancing developments will lead to a de-skilling of the workforce, since an increasing amount of design and programming work will be carried out by the manufacturers of the equipment.

This "black box" technology situation will lead to many of the more interesting and more demanding work being transferred to computers.

Engineering staff could become involved in routine clerical and marketing activities, jobs for which they are technically over-qualified, the report says.

A section of the report is devoted to a factual description of 40 different Post Office services and individual technologies as they are developing world-wide, followed by comments on the likely impact of each in the employment area.

Of all the new technologies, optical fibre transmission will probably have the greatest impact on the future of the underground plant area.

The predominant attraction of optical fibres will be in the junction network where its use will give rise to a reduction in duct expenditure when new plant is installed. But the union says that once installed, this type of cable will not be labour-intensive. As the technology becomes more widespread it will certainly make inroads into the staffing levels of the construction and maintenance branch.

While the report points out clearly that "traditional and inflexible staffing policies" can no longer function satisfactorily in the future, it argues that no officer should be declared redundant because of the introduction of new work methods.

The NZPO has indicated that where proposed technological changes are likely to have an important impact on staff, joint consultation between the union and the Post Office will take place prior to any decisions being made to adopt those changes.

Consideration will be given to matters such as effects on staff, job satisfaction, training, employment opportunities, the availability of qualified staff as well as technological and cost considerations and service to customers.

Technological information

covering details of particular new technology equipment will be made available to the union.

The report focuses on the question of advance notice of the intention to introduce new equipment and systems.

The union emphasises the need for joint consultation to take place at all stages during planning, development and implementation, to more easily facilitate redeployment. Further, it urges the Government to recognise the need for the Post Office to have every opportunity to move into new fields and have a clearly established right to provide new postal, banking and telecommunications services made possible by new technology.

The union says the services provided by the Post Office must continue as a combined business enterprise under public ownership.

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## The money market

## DFC makes push for US investment money

by Allan Parker

ON the eve of a promotional push for its United States operation, the Development Finance Corporation has brought back San Francisco representative Chris Parkin to relate to regional staffers the investment opportunities for clients.

The corporation has spent two years and some \$200,000 establishing a base on the American west coast and is now opening the doors for increased business.

Parkin sees the basic role as finding American investment

money for New Zealand-based projects. "We are concentrating our efforts on small to medium-sized companies with products that incorporate new technology, require skilled labour, are insensitive to freight costs and do not suit mass production runs," he says.

He believes engineering offers big potential along with electronic industries.

Parkin reports a high degree of awareness among United States businessmen of New Zealand as a "friend". But the possibilities for investment in joint venture, export-oriented

projects are not so well known.

But a big selling point is proving to be New Zealand's export incentives scheme; once United States companies are briefed on the various incentives available they respond enthusiastically.

Parkin cites one case where a Denver manufacturer was on the verge of signing a licensing venture with a Japanese company.

Parkin reports a high degree of awareness among United States businessmen of New Zealand as a "friend". But the possibilities for investment in joint venture, export-oriented

Results from the first NZ joint manufacturing venture to be set up by the corporation's American office are encouraging.

The factory began operations earlier this year and is already trading profitably; the American investor is reported to be so pleased that increased investment may be forthcoming.

Parkin also suggests that New Zealand manufacturers looking for a slice of the United States action should consider teaming up with or even buying out a United States company rather than look for an important distributor.

"The United States market is probably the most competitive in the world. To break into the market it can often be better done by getting involved directly with a local manufacturer."

Another plus for New Zealand, says Parkin, is the local environment — we speak the same language, have a legal and taxation system the Americans can understand and rely on, and "they see us as culturally similar".

As an example, he suggests buying controlling interest of the United States company, thus securing a market share, and then gradually transfer the production back to New Zealand.

An added benefit is the acquisition of already-developed technology which could be beyond the resources of the New Zealand company and which could be used in the Australasian and South-east Asian markets.

And there will be no problems from the United States side. "The United States is one of the freest capital investment markets in the world; you can buy and sell or do virtually anything and there'll be no protest."

Parkin fully supports New Zealand export drives to the United States and notes that although it is the largest ex-

porting nation in the world, exports account for less than 10 per cent of GNP.

"That gives you an idea of the size of the market," he said.

But he also considers that too many New Zealand companies destroy good chances of export success by concentrating on the Los Angeles area.

"Certainly it's a big market, but after New York it's the most competitive one in the United States."

He suggests companies look further north to San Francisco, the north-west coast and even inland centres for export pushes.

But first try out the Australian market. "It's right on New Zealand's doorstep and you can guarantee that whatever difficulties you find in getting into Australia, the United States will be 10 times worse."

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## Health

## Starting this time . . . and they're on the way

by Belinda Gillespie  
IT's running time again. This year, the shoes are thicker, the shorts shorter and the T-shirt gruffly even more vulgar than last.

Not that running time ever runs out for the faithful. But on these spring mornings and evenings, the ordinary, ambulatory pedestrian sticks out like a man in a business suit on a useless beach.

Garishly dressed, runners jostle for space on the suburban pavements. They haunt the motorist on remote roadsides normally regarded as the sole prerogative of the car.

Running is well into the third wave. At a non-statistical guess, the first wave of hard-core runners, footballers and would-be John Walkers remains fairly constant.

Men of all ages and occupations rose from their desks, gave up their lunch-hours and for-

sook family life in the surge of the second wave.

Women, less fearful of coronaries, shy of putting on shorts, or just otherwise occupied, were slower to join the fun. Those who did were mostly the neat, nippy kind who nonchalantly became marathon winners after years spent with their talents obscured by motherhood and housewifery.

But women are right on the crest of the third wave. If men past the age of 30 can flash their thighs in the street, women can too.

"Stepping Out," a radio series on running for women, has brought female runners out in droves, and cleaned the shops out of running shoes.

All ages, shapes and sexes now mingle in the runs for fun. With the unisex gear, short hair and whipper-like bodies, ac-



Running . . . well into the third wave

quired by practitioners of the art, sexual distinctions are irrelevant anyway.

Runners are distinguishable only by their shoes, which in their enormous variety and price range are the basis of a caste system — complete from elites to untouchables. Beside shoes, mere variables of age, sex, race and politics are insignificant in the runners' world.

As with smoking, there are two schools of thought about running. Cigarette companies can produce clear medical evidence that smoking enhances growth, clears the lungs, prevents coronaries and builds bonny babies.

Non-smoking doctors, however, can prove that smoking stunts babies, clogs up the lungs and increases the risk of every disease you can think of.

Members of the public simply line themselves up with fellow smokers or non-smokers according to habit, and abide by whichever medical view suits them.

Running and non-running practitioners are just as clearly divided, each group pouring public contempt on the other as often as possible.

All runners know that medical science has proved that running causes weight loss, improves the heart and lungs, cures constipation, insomnia and depression, builds energy and confidence and makes no end of difference to high density lipoproteins and cholesterol.

They know too that anyone who disputes these claims is a fat slob who couldn't tell an Adidas shoe from a gumboot. Rude insults from non-runners are no surprise — they are simply green with envy at runners' radiance, slimmness, sex-drive, lack of disease and other amazing attributes.

While 1979 was a peak year for anti-jogging literature in

medical journals and the press, pot-shots still appear. The disabilities listed as a result of running by its opponents make grim reading.

Chafing, split shins, knee, heel and back trouble, dehydration, heat-stroke, joggers' nipple, penic frostbite, osteoarthritis and sudden death are just a few of the hazards of running, according to those who oppose it.

Anti-running doctors say running appeals to ambitious, competitive personalities who are already prime candidates for heart attacks, and are likely to drop dead in their running shoes as they push themselves to the edge.

To those who don't, those who do run are clearly guilt-ridden masochists bent on getting the rest of the world to share their pain.

Non-runners are bored stiff by conversations about runs and running shoes. They cling to the wisdom of John Maynard Keynes, as quoted in the *Non-Runners Book*. "In the long run we are all dead."

## on the Paper War!

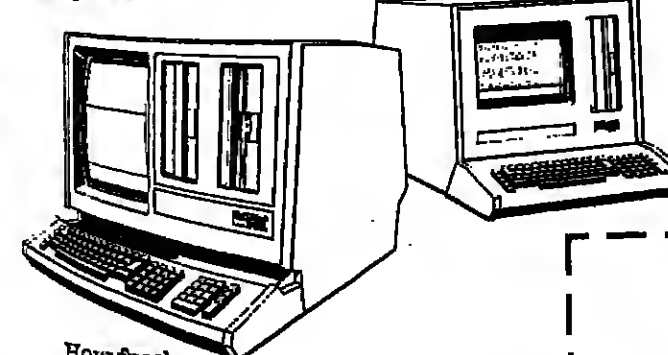
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## Government administration

## Departments move to local product purchasing

by Allan Parker

THE recent winning of a \$7.6 million contract by Christchurch's CWF Hamilton to build rolling stock for the Railways Department signals important developments for local industry.

The contract was won after Hamilton's bid, in open tender against a dozen local and overseas competitors, to build 200 PK wagons over the next 18 months.

It is the first such contract won by a New Zealand manufacturer for about 15 years; previously, all such contracts have gone to lower-priced overseas suppliers.

Hamilton group managing director Dick Georgeson said the contract reflected a growing competitiveness by local industry with overseas suppliers, who are facing increasing freight costs among other price factors.

Also, it reflects the growing technical and quality capabilities of local industry.

"We find this aspect most encouraging," Georgeson said. Railways assistant general manager (engineering and development) Bob Henare agrees with the assessment.

The Hamilton bid was won "on pure direct competition", he said. The department had long had a policy giving preference to local people but "up until now they simply haven't been competitive".

"And, being a trading organisation, if there is a great differential we have to take that into account."

The Hamilton contract is perhaps one of the more public indications that New Zealand industry is able to compete with overseas manufacturers for the annual \$900 million worth of New Zealand Government business handled by the Government Stores Board.

But behind-the-scenes there is recognition of the increasing sophistication shown by local industry hoping for a share of this business.

Stores Board secretary Bob Mortimer has recently been talking to manufacturers, notably engineering manufacturers, about GSB policy and procedures. He has also visited a number of factories around the country to examine local ability.

He reports: "... Of particular interest to me was the high percentage of local content achieved in the manufacture of many lines of mechanical plant."

"These were in no way mere assembly operations, as is often believed in departmental purchasing circles."

The board has forged a close working relationship with the Manufacturing Engineers Federation, which itself notes a "substantial improvement" in that liaison which regarded as "very satisfactory".

As virtual overlord for the purchasing of all Government departments, the Stores Board plays a vital role in fostering local industry. It requires departments to follow rigid tendering criteria when purchasing.

Some \$700 million worth of goods, equipment and services bought by Government each year is placed on the local market after scrutiny by a departmental tenders committee composed of senior departmental officials.

The Stores Board itself lets contracts for another \$200

A COMPANY looking for Government business can have a head start over its competitors if it has an ex-departmental purchasing officer on its staff or as an agent.

Some of the advantages:

- The ex-civil servant has a technical knowledge of the tendering procedures and documents;
- They know how the specifications are written;
- They know other criteria that may not be laid down in the specifications. For example they might know that delivery time is critical and could warn their employer/client to start production in advance, although at some risk;

million a year for bulk purchase of materials to be used by a number of departments. These items include such equipment as typewriters, paint and toilet rolls.

There is little room for con-

Government imports there can be uncertainty, doubts and suspicions aroused when tenders from overseas suppliers are accepted in preference to local bids.

The area is one in which the

• They can know when contracts are coming up, what a particular department is doing, what sort of equipment it has, how much money it has to spend and likely future demand, giving the company a lead-time edge.

• They have personal contacts and influence. If retired, after lengthy service they will probably still drink with their old colleagues and get some secret gossip. They might well have helped appoint their successor.

• If they are retired on a pension, but still active, they are financially independent and better able to compete for employment with private-sector companies.

local content. It also wants local, regional and special purpose bodies, boards and corporations to be encouraged to give preference to suppliers with the highest local content.

Ad hoc, quasi-government

policy laid down for Government departments will be taken into account in approving budgets and/or loan applications.

Federation assistant director Lindsay Rollo sees a need to

cers Federation backs up the claims of the parent group and goes further: "The Federation believes that every public purchase that is not awarded to a local supplier should need to be justified by the department concerned and that the department should know that all of its recommendations will be subject to this scrutiny."

At present, such scrutiny is provided by the Government Import Control Committee—a high-powered group of departmental heads including Treasury, Customs and Trade and Industry. Delegation is only allowed to go one step down the ladder.

The committee meets monthly on Wednesdays in the Government Stores Board offices to examine tenders involving overseas and local bids.

All overseas tenders have a New Zealand preference rate placed on them which acts as a form of duty. These rates are set by Cabinet and remain confidential.

But, if the overseas price is still below a competing local tender, the committee has the power to exercise a discretionary option which can take into account less tangible factors such as employment opportunities, foreign exchange savings, higher local content and so on.

For major overseas orders, the foreign supplier can be asked to include New Zealand content, and list the intended local sub-contractors or suppliers. When only overseas tenders are invited for a major overseas purchase, the departments are asked to request extended credit or look to countertrade opportunities.

The committee, Mortimer said, exercises this discretion in favour of New Zealand suppliers more frequently these days, particularly as Government policy emphasises the need for foreign exchange savings.

For instance, problems can arise when tenders are received from a developing country such as South Korea, which has a developing nation tariff.

Armed with this lower tariff and low prices anyway, the developing nation supplier can place the local supplier in a disadvantage. In such cases, the committee would exercise its right to look at factors other than the price.

The procedures adopted by the board and the committee in evaluating tenders from overseas and local bidders have sufficient in-built safeguards to ensure New Zealand suppliers get a reasonable crack at the contract, Mortimer said.

Rollo agrees: "We have no beef with the tendering procedures used by the board. From the point of view of the engineers we are very happy with the actions that follow the decision to actually purchase some equipment."

"But we are concerned about the pre-purchase point where specifications are written and decisions made at departmental level."

For example, the writing of a specification direct from a sales brochure, supplied by an overseas company, is not uncommon. Rollo cites one example in which an Education Department specification for wood lathes was written directly from material supplied by an overseas company.

In essence, the GSB is playing the numbers game to avoid temptations of suspicion about procedures.

"We involve as many people as possible, a lot of people would have to be dishonest at once."

## Construction industry

## Cubitt abandons Auckland during confidence crisis

by Lindsey Dawson

THE withdrawal of Cubitt New Zealand Ltd from the construction business is indicative of the downturn in major building jobs, particularly in Auckland.

Cubitt, owned by the British Tarmac Corporation, will pull out when its Auckland Reserve Bank building contract is completed in a few months.

Cubitt will not comment on reasons for its withdrawal, but

building industry sources say lack of confidence in this country's future is causing real problems in the building industry. The money for big building projects is just not forthcoming despite the availability of prime sites.

Building executives in Auckland are particularly concerned about the lack of big new jobs in the city, although there are sufficient smaller projects coming up to keep major contractors going.

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A local supplier (which had previously been rejected because its lathes did not meet safety requirements laid down by the department although it passed Labour Department safety standards) noticed the technical description was becoming more sophisticated for "what is essentially a very simple tool for teaching basic skills".

Because of the improving environment between Manufacturers Federation (officials) and Government over such problems, the local manufacturer and Education Department produced a prototype incorporating the department's safety requirements.

The lathes are now being supplied by the local manufacturer, with a high level of local content. About \$1 million in overseas exchange was saved.

Initially, when the Education Department was looking ahead for its wood lathes, the local product was already in use in many overseas teaching institutions.

Rollo uses this example as an illustration of the improving relationship between industry and Government. There are others but there remains lingering concern over the knowledge of and commitment to local content by departmental officers writing specifications.

One manufacturers representative told NBR that specifications are often written by Government servants who have little technical knowledge of the item required. In such cases, sales literature is heavily relied on to supply the correct data.

If there is no data, a department will often write the specification from the item currently in use and the performance expected from it. One of our defence services did that recently — only to find some components were no longer in production.

When the equipment sought by a department incorporates high technology, the Stores Board watchdogs can be placed at a technical disadvantage. As with doctors wanting a new piece of equipment, who can argue with a scientist who demands a specific instrument?

The Stores Board tries to overcome some of these problems by running purchasing courses for departmental staff involved in buying and tender preparation, Mortimer said.

Certainly, with its staff of 35 (fewer than 1950), its resources are minimal and it relies heavily on other departments for back-up support.

In value terms, Government purchasing is big business — nearly \$1 billion a year. The volume is high too. About one million local orders are placed by the departments each year.

About 50,000 written

tenders are received by Government. And some 250,000 telephone tenders are called.

About 75 per cent of Government buying is made by four departments: the Ministry of Works, the electricity division of the Energy Department, the Post Office and Railways.

Only one or two tower cranes loom over the city skyline. In Wellington you can count between 20 and 30.

Northern executives ask enviously why Wellington hosts such a building boom while bigger Auckland is in the doldrums, with nobody to put money into developing such real estate gems as the Great Northern site on the corner of Queen and Customs Streets, owned by the AMP, or the nearby Winston's site which is up for sale by the National Mutual.

High construction costs are deterring would-be hotel developers, although half a dozen sites are being argued in the Auckland area. Hotels are more capital-intensive than office blocks, and the yields from the investment point of view are questionable, despite the revised government incen-

tives, according to developers.

There are arguments about how badly Auckland needs big new hotels. Office space is at a premium and with no new big buildings on the drawing board at this stage prestige offices are becoming hard to find.

The recently completed OB3 building in the Downtown Centre, built by Mainzeal, is the biggest of three office blocks now in their final stages. Its 230,000 square feet of office space is either already taken or under option at rents varying from \$7.50 to \$9 per square foot a year. The Reserve Bank building will be filled by Government departments and the BNZ building will be taken up by the bank.

Firms looking for substantial floor space in a new Auckland building would now be hard pressed to find it.

In Wellington, with its large numbers of government departments and head offices, there is a steady flow of new buildings being opened — to the extent where some in the building industry feel that the capital city is heading for a glut of available space.

"In Auckland, where there is a steady demand for office space, no-one seems prepared to supply it. In Wellington — while there is certainly a demand — the supply is clearly going to grossly exceed it," one executive told NBR.

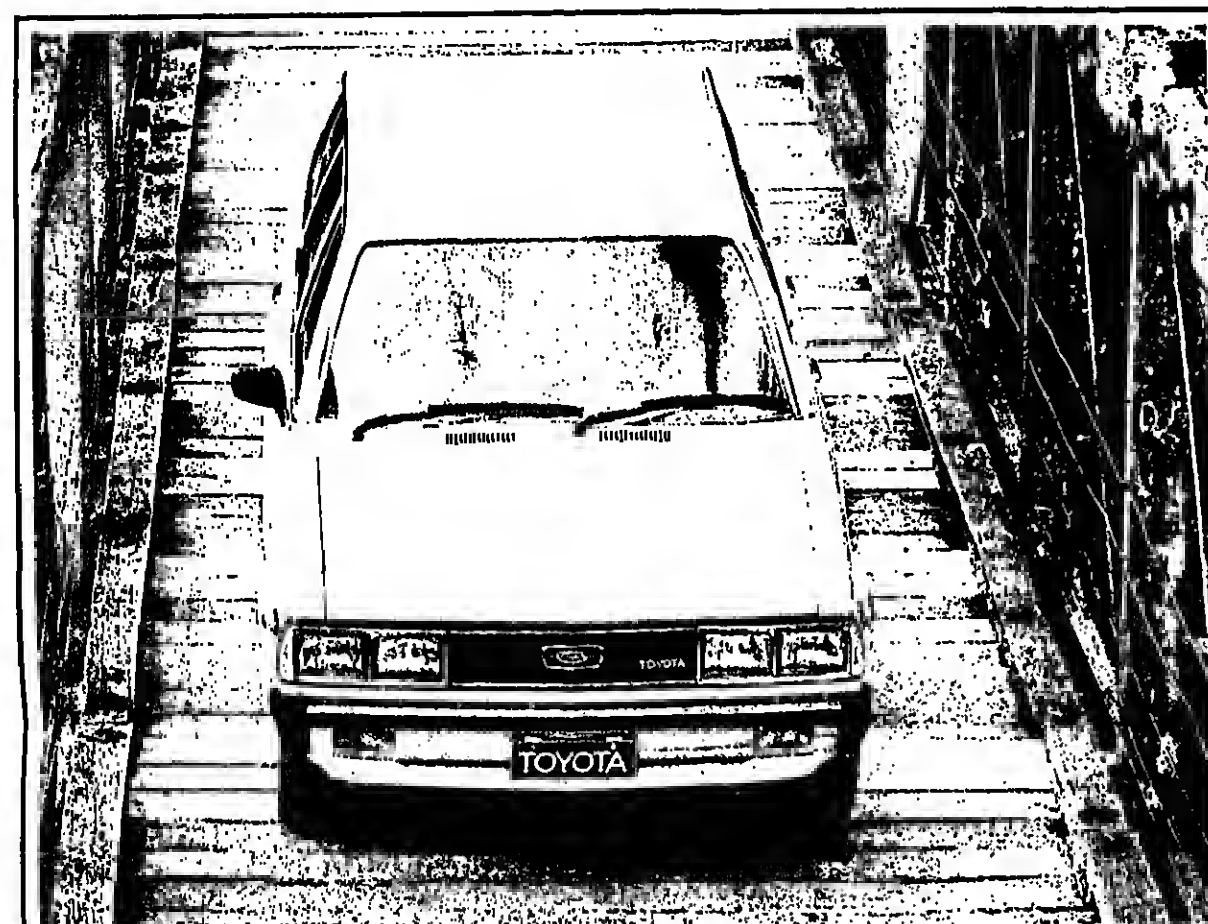
There are differences in costs between building high-rise properties in the two cities. Wellington land is slightly dearer because of geographical restrictions and building costs are fractionally higher because of seismic requirements. Rents in Wellington are substan-

tially higher — companies will probably pay a dollar per square foot more for comparable space in Wellington than in Auckland.

Financial returns for developers are probably better in Wellington, but an oversupply situation might push rents down.

Wellington developers might be working on the theory that building now is better than later in an effort to beat inflation, even if it means that high-rise office space might lie idle for a year or two. It is a matter of walking the fine line between interest charges and inflation.

But even that type of thinking is not in evidence in Auckland. Said the manager of a building group: "Half of Queen Street is up for sale — what's lacking is the confidence in inner city development."



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fusion in purchasing decisions when only local suppliers are involved — they either provide the right price, quality and delivery, or the contract goes to their competitors.

But in the area of direct

Manufacturers' Federation has been actively campaigning for a greater degree of New Zealand preference.

It has asked Government to ensure departments take all reasonable steps to maximise

bodies operate virtually uncontrolled at present (NBR, September 29).

The federation has even suggested that "the extent to which these institutions voluntarily comply with the

impress "upon all persons in public departments, from permanent heads downwards" that Government policy insist on the highest possible level of local content.

The Manufacturing Engi-

The company will then go on a mailing list when any tender is called for that particular product. Tenders are also advertised in the major metropolitan dailies to ensure that no-one misses out. Says Mortimer: "Every company in New Zealand has the right to compete for Government business as a taxpayer."

Tender document security is rigid. The tender box at the Stores Board office in Wellington has two locks, with the keys held by two separate people. Not even Mortimer — the head of the department — can get into the tender box.

When the tenders are opened, each page is date-stamped and initialled by each opening officer and a full list of the tenders received is drawn up.

The tenders are summarised and scrutinised by technical experts before passing up to a final decision-making committee.

In essence, the GSB is playing the numbers game to avoid temptations of suspicion about procedures.

"We involve as many people as possible, a lot of people would have to be dishonest at once."

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